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Cabinet

Tuesday, 19th February, 2019 at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber - Civic Centre

This meeting is open to the public

Members

Leader and Clean Growth & Development – Councillor Hammond
Adult Care - Councillor Fielker
Aspiration, Schools & Lifelong Learning – Councillor Paffey
Children & Families - Councillor Jordan
Community Wellbeing – Councillor Shields
Finance & Customer Experience - Councillor Chaloner
Green City – Councillor Leggett
Homes & Culture - Councillor Kaur
Transport & Public Realm - Councillor Rayment

(QUORUM – 3)

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BACKGROUND AND RELEVANT INFORMATION

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

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

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

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

Use of Social Media
The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting.
By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public.
Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council's Guidance on the recording of meetings is available on the Council's website.

The Southampton City Council Strategy (2016-2020) is a key document and sets out the four key outcomes that make up our vision.

- Southampton has strong and sustainable economic growth
- Children and young people get a good start in life

Executive Functions
The specific functions for which the Cabinet and individual Cabinet Members are responsible are contained in Part 3 of the Council's Constitution. Copies of the Constitution are available on request or from the City Council website, www.southampton.gov.uk

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

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

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

Fire Procedure – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised, by officers of the Council, of what action to take.
Smoking policy – The Council operates a no-smoking policy in all civic buildings.
Access – Access is available for disabled people. Please contact the Cabinet Administrator who will help to make any necessary arrangements.

Municipal Year Dates (Tuesdays)

2018	**2019**
19 June	15 January
17 July	12 February (**Budget**)
21 August	19 February
18 September	19 March
16 October	16 April
20 November	
18 December	

- People in Southampton live safe, healthy, independent lives
- Southampton is an attractive modern City, where people are proud to live and work

CONDUCT OF MEETING

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

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

BUSINESS TO BE DISCUSSED
Only those items listed on the attached agenda may be considered at this meeting.

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

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

DISCLOSABLE PECUNIARY INTERESTS
A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:
(i) Any employment, office, trade, profession or vocation carried on for profit or gain.
(ii) Sponsorship:
Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.
(iv) Any beneficial interest in land which is within the area of Southampton.
(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.
(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.
(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests
A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:
Any body to which they have been appointed or nominated by Southampton City Council
Any public authority or body exercising functions of a public nature
Any body directed to charitable purposes
Any body whose principal purpose includes the influence of public opinion or policy

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 **APOLOGIES**

To receive any apologies.

2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

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

EXECUTIVE BUSINESS

3 **STATEMENT FROM THE LEADER**

4 **RECORD OF THE PREVIOUS DECISION MAKING** (Pages 1 - 6)

Record of the decision making held on 15th January 2019 and 22nd January 2019 (Special), attached.

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

There are no matters referred for reconsideration.

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

There are no items for consideration

7 **EXECUTIVE APPOINTMENTS**

To deal with any executive appointments, as required.

MONITORING REPORTS

8 **CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2018** (Pages 7 - 24)

To consider the report of the Cabinet Member for Finance and Customer Experience informing Cabinet of any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2018/19 to 2021/22, highlighting the changes in the programme since the last reported position to Cabinet in November 2018. The report also notes the major forecast variances against the approved estimates.

9 **CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE**

END OF DECEMBER 2018 (Pages 25 - 52)

To consider the report of the Cabinet Member for Finance and Customer Experience summarising the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the nine months to the end of December 2018, and highlighting any key issues by Portfolio which need to be brought to the attention of Cabinet.

ITEMS FOR DECISION BY CABINET

10 **SOUTHAMPTON LIVING WELL SERVICE** (Pages 53 - 62)

To consider the report of the Leader and Clean Growth and Development detailing a proposal to terminate Brook Centre lease and appoint an external property consultant to develop an estates plan for the Service.

11 **THE REVISED MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2019/20 TO 2022/23** (Pages 63 - 182)

To consider the report of the Cabinet Member for Finance and Customer Experience, detailing the Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2022/23 and providing the budget position for 2019/20 and later years for the General Fund and the Housing Revenue Account (HRA).

12 **THE GENERAL FUND AND HOUSING REVENUE ACCOUNT CAPITAL STRATEGY AND PROGRAMME 2018/19 TO 2022/23** (Pages 183 - 250)

To consider the report of the Cabinet Member for Finance & Customer Experience. The purpose of this report is to update the Capital Strategy and to inform Council of any major changes in the overall General Fund and HRA Capital Programme for the period of 2018/19 to 2022/23, highlighting the changes in the programme since the last reported position to Cabinet in November 2018.

13 **PLANNING FOR A "NO DEAL" BREXIT** (Pages 251 - 262)

To consider the report of the Leader, Clean Growth and Development providing an update on ongoing planning for the UK's exit from the European Union.

Monday, 11 February 2019 — Director of Legal and Governance

Record of Decision of Cabinet Meetings:

- 15th January 2019
- 22nd January 2019 – Special

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 15 JANUARY 2019

Present:

Councillor Hammond	Leader of the Council, Clean Growth and Development
Councillor Rayment	Cabinet Member for Transport and Public Realm
Councillor Jordan	Cabinet Member for Children and Families
Councillor Kaur	Cabinet Member for Homes and Culture
Councillor Shields	Cabinet Member for Community Wellbeing
Councillor Dr Paffey	Cabinet Member for Aspiration, Schools and Lifelong Learning
Councillor Fielker	Cabinet Member for Adult Care

36. ADMISSION ARRANGEMENTS FOR COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS FOR ACADEMIC YEAR 2020-21

DECISION MADE: (CAB 18/19 21738)

On consideration of the report of the Director of Children and Families, Cabinet agreed the following:

(i) To approve the Admissions Policies and the Published Admissions Numbers (PANs) for Community and Voluntary Controlled schools and the schemes for coordinating Infant-Primary, Junior and Secondary admissions for the school year 2020-21 as set out in appendices 1 to 7.

(ii) To authorise the Service Director, Children and Families Services to take any action necessary to give effect to the admissions policies and to make any changes necessary to the admissions policies where required to give effect to any Acts, Regulations or revised Schools Admissions or School Admissions Appeals Codes or binding Schools Adjudicator, Court or Ombudsman decisions whenever they arise.

37. COMMUNITY CHEST GRANTS 2018/19

DECISION MADE: (CAB 18/19 22075)

On consideration of the report of the Director of Quality and Integration, the Cabinet Member for Community Wellbeing and Cabinet agreed the following:

CABINET MEMBER FOR COMMUNITY WELLBEING

(i) To agree the recommendations for round 2 grants made by the cross-party Community Chest Grant Advisory Panel

CABINET

(i) To delegate authority to the Director of Quality and Integration, following consultation with the Cabinet Member for Community Wellbeing, to award the final grants from the remaining Community Chest budget in 2018/19.

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 22 JANUARY 2019

Present:

Councillor Hammond	-	Leader of the Council, Clean Growth and Development
Councillor Rayment	-	Cabinet Member for Transport and Public Realm
Councillor Chaloner	-	Cabinet Member for Finance and Customer Experience
Councillor Fielker	-	Cabinet Member for Adult Care
Councillor Jordan	-	Cabinet Member for Children and Families
Councillor Kaur	-	Cabinet Member for Homes and Culture
Councillor Leggett	-	Cabinet Member for Green City
Councillor Dr Paffey	-	Cabinet Member for Aspiration, Schools and Lifelong Learning
Councillor Shields	-	Cabinet Member for Community Wellbeing

36. PROPOSED CLEAN AIR ZONE FOR SOUTHAMPTON

DECISION MADE: (CAB 18/19 22166)

On consideration of the report of the Cabinet Member for Green City and having received representations from John Spottiswoode, (The Green Resistance in Southampton), Mandi Bissett, (Southampton Collective), Colin MacQueen, (Western Docks Consultative Forum), Liz Batten, (Clean Air Southampton), Catherine Barber, (Green Party), Alistair Welch (Associated British Ports), a representative of Extinguish Rebellion, Matt Lockton (University of Southampton) Lyn Brayshaw (Friends of the Earth), Lindsi Bluemel (Green Party), Nick Chaffey (Socialist Party), local resident, Councillor Galton, Councillor P Baillie (Chair of Overview and Scrutiny Management Committee) and Councillor Fitzhenry were in attendance and with the consent of the Chair, addressed the meeting.

Cabinet also considered recommendations from Overview and Scrutiny Management meeting held on 16th January, 2019, as follows:

(i) That Cabinet agree to model the budget proposal to increase charges for crossing the Itchen Bridge and should the modelling show that the proposal was likely to place at risk compliance with EU ambient air quality limits, the proposal would be rejected by the Executive;

Response:
There is currently no evidence supporting traffic displacement impacting air quality at key locations. However, we will consider further, following close of budget consultation and the decision will be taken as part of the Budget proposals by full Council.

(ii) That, in the development of Council strategies and policies, an analysis was undertaken and consideration given, to the impact the policies and strategies would have on air quality in Southampton;

Response:
This will be further considered and addressed by the Green City Charter.

(iii) That, should Government decide not to fund the air quality measures outlined in the plan, the Executive agree to resource the proposals from Council finances;

Response:
Rejected. A bid is being made to Government and to agree this at this time would undermine the outcome of that bid.

(iv) That the Green City Charter was developed via a cross-party working group and that consideration was given to involving stakeholders in this process.

Response:
This has always been the Executive's intention.

Cabinet agreed the following:

(i) To approve the Plan attached as appendices for submission to the Secretary of State by the 31st January 2019 which proposes a package of non-charging measures that will mitigate risk of exceedance, increase the likelihood that compliance is achieved before 2020 and to promote ongoing improvements in air quality.

(ii) To delegate authority to the Service Director for Transactions & Universal Services to include port based measures, namely shore side power and the port HGV booking scheme, to the Plan subject to securing implementation and funding agreement with stakeholders.

(iii) To delegate authority to the Service Director for Transactions & Universal Services to take any action necessary to finalise the Plan, including making minor or consequential amendments following consultation with the Leader and Cabinet Member for Green City, so that all implementation, delivery and management requirements are sufficient enough to satisfy the requirements of HM Treasury Green Book methodology.

(iv) To delegate authority to the Service Director for Transactions & Universal Services to submit a revised Plan to the Secretary of State, following consultation with the Leader and Cabinet Member for Green City, in the event that the original Plan submitted on the 31st January 2019 is rejected.

(v) To approve the revision of the Clean Air Strategy for Southampton 2016-2025 to reflect the outcome of this Cabinet decision, the Plan and any other relevant progress made since the publication of the original strategy in 2016 and to delegate authority to the Service Director for Transactions & Universal

Services to make any amendments to the Strategy necessary to give effect to this recommendation.

37. GREEN CITY CHARTER

DECISION MADE: (CAB 18/19 22168)

On consideration of the report of the Cabinet Member for Green City, Cabinet agreed the following:

(i) To note the intention to develop a new Green City Charter for Southampton as outlined in this paper and, which will subsequently be brought to Cabinet for adoption in spring 2019.

(ii) To support the intention to engage with partners on the development of the Green City Charter.

DECISION-MAKER:		CABINET		
		CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2018.		
DATE OF DECISION:		20 FEBRUARY 2019		
REPORT OF:		CABINET MEMBER FOR FINANCE & CUSTOMER EXPERIENCE		
		CONTACT DETAILS		
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STATEMENT OF CONFIDENTIALITY		
NOT APPLICABLE		
BRIEF SUMMARY		
The purpose of this report is to inform Cabinet of any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2018/19 to 2022/23 as 31st December 2018, highlighting the changes in the programme since the last reported monitoring position to Cabinet in November 2018. The report also notes the major forecast variances against the approved estimates at that point.		
RECOMMENDATIONS:		
It is recommended that Cabinet:		
	(i)	Notes that the overall forecast position at 31st December 2018 is £117.02M, resulting in a potential underspend of £27.08M, as detailed in table 3, and Appendix 1.
	(ii)	Notes that £8.73M has been added to the programme as at 31st December 2018 under the relevant approvals and that approval will be sought to add a further £44.64M to the programme as part of the Capital Strategy & Programme update report to Council in February 2019. These additions will be reported in due course. The additions of £8.73M are detailed in tables 1 and 2 and paragraphs 6.
	(iii)	Notes that the capital programme remains fully funded up to 2022/23 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
REASONS FOR REPORT RECOMMENDATIONS		
1.	The capital programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. The forecast position is reported to the Council Capital	

	Board with any required programme update reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	The update of the capital programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process in the light of the funding available and the overall financial position.
DETAIL (Including consultation carried out)	
	CONSULTATION
3.	Service Directors, Service Leads and Project Managers have been consulted in preparing the reasons for variations contained in this report. The General Fund and HRA capital programme monitoring report summarises additions to the capital programme and slippage and rephasing since the last approved programme reported in November 2018. Each addition has been subject to the relevant consultation process which reflects the role played by Council Capital Board. The content of this report has been subject to consultation with Finance Officers for each service.
	THE 5 YEAR CAPITAL PROGRAMME
4.	Table 1 shows a comparison of the latest forecast capital expenditure for the period 2018/19 to 2022/23 as at the 31st December 2018 compared to the previously reported programme. This position allows for overall additions of and £8.73M (£4.01M in 2018/19) and net slippage of £20.52M. It should be noted that further approval for additions of £44.64M will be sought at Council in February 2019 as part of the Capital Strategy and Capital Programme update report. This additions are not included at this time as this report provides the forecast position as at the 31st December 2018.

Table 1 – Programme Comparison

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Latest Programme	123.57	96.56	74.87	47.41	18.63	361.04
Previous Programme	140.08	71.27	74.92	47.41	18.63	352.31
Variance	**(16.51)**	**25.29**	**(0.05)**	**0.00**	**0.00**	**8.73**

	CHANGES TO THE OVERALL PROGRAMME
5.	Table 2 shows the changes to the individual portfolio programmes followed by details of these changes.

Table 2 – Changes to Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Adult Care	1.86	1.86	0.00
Aspiration, Schools and Lifelong Learning	92.78	92.78	0.00
Clean Growth & Development	11.86	11.86	0.00
Community Wellbeing	3.74	3.74	0.00
Finance and Customer Experience	7.72	7.72	0.00
Homes and Culture	2.42	2.42	0.00
Transport and Public Realm	55.76	47.03	8.73
Total GF Capital Programme	**176.14**	**167.41**	**8.73**
Total HRA Capital Programme	184.90	184.90	0.00
Total Capital Programme	**361.04**	**352.31**	**8.73**

Transport and Public Realm Portfolio

6. Integrated Transport (Increase of £0.33M in 2018/19)

Addition, approved by Cabinet, to the programme from site specific S106 contributions of £0.33M. These works will enhance existing schemes in the programme and enable the authority to fulfil the obligations specified in the S106 agreements. These will primarily be focused on cycling schemes and congestion reduction.

Play Area Improvements (Increase of £0.15M in 2018/19)

Addition to the programme for works on various play areas around the city to improve equipment, surfacing and fencing funded from site specific S106 contributions.

Minor Parks Development Works (Increase of £0.03M in 2018/19)

Addition to the programme for works at Green Park which sits in the Millbrook Ward on new equipment, surfacing and fencing, where the equipment is old and damaged and requires replacement funded from S106 Contributions.

Car Parking (Increase of £0.46M in 2018/19)

Addition to the programme for payment card readers in car parking pay and display machines need to be updated in line with the latest industry standards funded from the on street parking reserve. This will ensure customers will have a convenient payment option for parking and ensure that card transactions are better protected against potential fraud.

Highways (Increase of £2.98M in 2018/19)

Additional investment of £2.98M in the highways network to increase the road programme in 2018/19;

- £0.51M of works funded by the Department for Transport grant (Highways Maintenance Incentive Element) on repairing a failing embankment on South East Road, improving Chilworth Roundabout and drainage improvement work in areas susceptible to flooding.
- £0.20M to be invested in pothole repairs.

- £2.27M to fund essential works across the network on classified roads £0.96M, principal roads £0.61M, unclassified roads £0.48M, and £0.22M on Highways Network Delivery projects.

This will be funded from specific grants, contributions and S106 funding with the balance funded from borrowing.

Red Lodge Depot Bin Storage (Increase of 0.07M in 2019/20)

Refuse container storage is costing SCC £0.04M per annum. An opportunity has been identified to store bins at Red Lodge Depot. The approved capital investment would mean that the current storage costs could be saved.

Electric Vehicles (Increase of £0.82M in 2019/20)

The SCC fleet vehicles, with the exception of 16 vans, are all owned by the authority. Many of the vehicles fall well below Euro 6 emissions ratings and are polluting the air in the City. Capital funding of £0.82M has been agreed for the procurement of replacement electric vehicles within the fleet.

Refuse vehicles (Increase of £2.90M in 2019/20)

Addition, approved by Council, to the programme for the replacement of refuse vehicles funded by capital receipts. There are currently 17 refuse collection vehicles (RCV's) that do not meet Euro 6 emission standards and are nearing or past the anticipated end of life. The replacement vehicles will ensure that the council's heavy goods vehicles (HGV's) all comply with the latest emission standards and contribute to cleaner air in the city.

Compact Solar Bins (Increase of £1.00M in 2019/20)

The Business Planning exercise for the 2019/20 budget has identified an opportunity to invest in solar compactor bins, with a view to generate potential efficiencies through reduced collections and smarter ways of working. Approval was by Cabinet in October 2018 to proceed with this project.

2018/19 MONITORING POSITION

7. The forecast performance of individual capital programmes in 2018/19 is summarised in table 3 below.

Table 3 – Summary of the General Fund & HRA Capital Forecast 2018/19

	Approved Programme £M	**Forecast £M**	**Forecast Variance £M**	**Forecast Variance %**
Adult Care	0.86	0.40	(0.46)	(53.49)
Aspiration, Schools and Lifelong Learning	21.59	12.32	(9.27)	(42.94)
Clean Growth & Development	11.22	11.95	0.73	6.51
Community Wellbeing	2.54	2.49	(0.05)	(1.97)
Finance and Customer Experience	5.74	5.74	0.00	0.00
Homes and Culture	1.92	0.52	(1.40)	(72.92)
Transport and Public Realm	41.47	38.30	(3.17)	(7.64)
General Fund Programme	**85.34**	**71.72**	**(13.62)**	**(15.96)**
HRA Programme	58.76	45.30	(13.46)	(22.91)

Total Capital Programme	**144.10**	**117.02**	**(27.08)**	**(18.79)**
Financed by				
*CR - GF Borrowing	(28.95)	(22.47)	6.48	22.38
*CR - HRA Borrowing	(11.32)	(10.01)	1.31	11.57
Capital Receipts	(13.16)	(12.96)	0.20	1.52
Direct Revenue Financing	(19.12)	(17.87)	1.25	6.54
Capital Grants	(19.76)	(10.96)	8.80	44.53
Contributions	(18.75)	(15.18)	3.57	19.04
HRA – MRA	(33.04)	(27.57)	5.47	16.56
Total Funding	(144.10)	(117.02)	27.08	18.79

*CR – Council Resources

The programme is currently forecast to be underspent by £27.08M, of which there is £20.52M of slippage from 2018/19 into future years. The reasons for the major forecast variances are detailed below and summarised in Appendix 1.

CAPITAL PROGRAMME FORECAST VARIANCES

Adults Care Portfolio

8. Telecare Equipment (Forecast underspend of £0.33M)

Implementation of telecare equipment is still proceeding at a slower rate due to low referrals from the Adult Social Care teams to the installation team with not all referrals actually resulting in installation of and the reuse of equipment. Referrals are expected to increase in second half of the year through more telecare awareness drop in sessions with Adult Social Care teams but is unlikely to spend all of budget allocated. The trends for referrals in 17/18 and 18/19 have been lower than anticipated or have not resulted into suitable conversions where the telecare equipment has been installed with the referred client. The current conversion rate is 60% of all referrals.

32B Kentish Road Capital Upgrade (Slippage of £0.03M from 2018/19 to 2019/20)

The project has slipped due to an extended review of options and proposals for the site involving all stakeholders to determine how outcomes can be best delivered. A Kentish Road “vision” working group has been set up to appraise all options and is engaging with the Capital Assets team with architectural costs to be incurred in 2019/20.

Integrated Working (Slippage of £0.10M from 2018/19 to 2019/20)

This project has slipped due to a revised timeline in work commencing on the Client Case Management system (CCM) which is planned to replace the ‘Paris’ system from April 2020. The project is currently on hold with temporary resources being transferred to the CCM project with work likely to recommence from early in 2019.

Aspiration, Schools and Lifelong Learning Portfolio

9. Primary Review P2 - Sholing Junior School (Forecast overspend of £0.08M)

Additional payment S106 works to the public realm at the school to meet planning requirements of £0.05M. Final retention costs were more than anticipated due additional snagging of £0.03M.

Primary Review P2 – Fairisle Junior School (Forecast overspend of £0.10M)

The original tender was for a 1 storey extension but the chosen contractor provided a cost which did not offer best value which resulted in a reassessment of needs for the project as a whole. The project is now going ahead with a plan to build a 2 storey building instead of the original 1 storey to ensure future needs are met. This will be funded from savings on other schemes within the overall programme.

Portswood Primary School Expansion (Forecast underspend of £0.12M)

A value engineering exercise was undertaken which identified efficiencies across various elements of the project reducing the overall cost against the budget. The identified savings have been used to offset overspends within the overall programme.

Remedial Works at Sholing-Springwell (Forecast underspend of £0.01M)

Retention costs were in at lower than anticipated due to remedial works being carried out at lower than estimated cost resulting in a minor saving on the project.

St Patricks School Expansion (Forecast underspend of £0.01M)

A contribution towards works at the diocese school were not taken up in full by the school as they funded them in part themselves. This resulted in a minor saving on the project.

St Monica Bulge class (Forecast underspend of £0.04M)

The final certificate for works and retentions received was at a lower cost lower than anticipated due to fewer issues found during snagging.

Bitterne Park Secondary Building Programme - planning contribution (Forecast underspend of £0.12M)

A budget for pitch drainage required by Sport England is no longer needed as the school has indicated that the pitch has been usable throughout the year and works will not be necessary.

Primary Review Phase 2 - Valentine Primary School Westwood Block (Slippage of £1.02M from 2018/19 to 2019/20)

Slippage of £1.02M from 2018/19 to 2019/20 due to the project being put on hold while a reassessment of need was completed. The expansion of this school is to be delivered via an Education and Skills Funding Agency (ESFA) rebuild of the Westwood block and a revised start date is now scheduled to commence in January 2019. A contractor has now been appointed and the delivery of the new classroom block to replace the Westwood Block and the project is due for completion in September 2019. Appointment of the contractor was delayed because Council and the Skills Funding Agency (SFA) needed to undertake further work to negotiate a common position on the buildings research energy efficiency model (BREEAM) standards for the scheme to meet the Councils requirement to achieve an “excellent” rating.

Springwell School - Main Expansion (Slippage of £3.83M from 2018/19 to 2019/20

Phase 1 completion was delayed due to a number of works variations to meet special education needs (SEN) school requirements for noise and disturbance to

	pupils. The phase 2 planning application has been submitted and although there has been steady progress with the team of consultants on the design stage, the majority of work for Phase 2 is scheduled to take place in 2019/20. Slippage has also occurred following a decision taken to undertake a full OJEU procurement to secure best value for Phase 2 of the works which added several months to the scheme's planned timetable but was necessary to ensure high quality and value for money. <u>R&M Programme for School (Slippage of £2.06M from 2018/19 to 2019/20)</u> Slippage of £2.06M from 2018/19 to 2019/20 due to difficulties in managing the volume and complexity of works required. A recent condition survey of the schools within the city highlighted a backlog of works and a prioritised list has been drawn up for the remainder of 2018/19 and 2019/20. Due to delays in obtaining statistical data surrounding school condition surveys, the basis for planned work has delayed progress on the scheme. <u>Early Years Expansion Programme (Slippage of £0.65M from 2018/19 to 2019/20)</u> A reassessment of the availability of providers prepared to offer an increased provision of thirty hours is required due to difficulties in identifying providers willing to extend their current hours. Works to support the extension of hours have delayed until these providers can be identified resulting in slippage into 2019/20. <u>Bitterne Park Autism Resource Base (Slippage of £0.16M from 2018/19 to 2019/20)</u> The programme has slippage of £0.16M from 2018/19 to 2019/20. The revised start date works is February 2019 this has been delayed as a result of design work requiring further electrical and mechanical works needed before the on-site works. <u>St George's School (Slippage of £1.79M from 2018/19 to 2019/20)</u> This is a diocese scheme with the ESFA. The council is contributing to the scheme to replace, modernise and increase science classroom accommodation at the school. The ESFA are the responsible body and are responsible for project management and delivery of the scheme. The delay follows obtaining agreement over strategy decision making within the diocese which is undertaken independently from the council. <u>Chamberlayne Refurbishment (Slippage of £0.54M from 2018/19 to 2019/20)</u> A delay in decision making on the overall strategy for Secondary School expansion has delayed progress on this scheme which is currently out to tender. Proposals have been drawn up to RIBA Stage 1 for the refurbishment of the main teaching block at Chamberlayne College, which is now on target and due to complete in September 2020. Work has also now commenced on RIBA Stage 2. The viability of an extended scheme is also been considered as part of a wider Local Enterprise Partnership proposal to develop the Chamberlayne site bringing education, leisure, early years and other service together into a single hub. <u>Regents Park Expansion (Rephasing of £0.90M from 2019/20 to 2018/19)</u> At quarter 1, it was estimated the building work for this project would not begin until 2019/20 due to delays in both the decision making of the overall strategy for

	Secondary School expansion and outstanding elements of the design stage to be completed. However, those delays have now been rectified and the programme has been accelerated and re-phased back into 2018/19.
	Clean Growth and Development Portfolio
10.	Southampton New Arts Centre (Studio 144) (Forecast underspend of £3.03M) Due to contractual issues with the 'fitting out' contractor and significant delays surrounding the additional works to rectify substantial flooding to the south building, there will be a forecast overspend of £3.03M met partly by a grant. The final account and all claims were received by the Council in May 2018. These have been assessed by the Contract Administrator and the Council's Quantity Surveyor. Discussions are continuing between the relevant parties to determine the final account amount. Once this process is complete the amount of additional funding required to complete the scheme will be known. In June 2018 the Council received a grant payment from Arts Council England for the project which will be used to part fund remaining expenditure in 2018/19. A total of £1.6M has been added to the scheme as part of the February 2019 programme update financed by the grant of £1.6M from the Arts Council. Hampshire Community Bank (Forecast underspend of £1.00M) A £1.00M investment in Hampshire Community Bank (HCB) was approved at Council in February 2017, subject to the bank securing a banking licence. A banking licence has not been obtained by the bank so the investment will not progressed and the budget removed from the programme as part of the February 2019 programme update. Water fountains (Forecast underspend of £0.09M) The original assumption of installing water fountains in the city parks is not feasible due to issues with connecting and ongoing testing of a water supply. Alternative options are being considered including water coolers will be installed as an alternative in Council buildings that can be accessed by the public and/or water bottle filling stations including opportunities for sponsored water bottle filling stations. Whilst any ongoing revenue costs will be met from existing budgets, the capital budget will be removed from the programme as part of the February 2019 programme update. Strategic Property Acquisition (Forecast underspend of £0.05M) The purchase of the NCP car park has now been completed at a cost of £7.08M creating at a cost lower than the anticipated budget. QE2 Mile – Bargate Square (Slippage of £0.96M from 2018/19 to 2019/20) The scheme is to fund works associated with the Bargate Square redevelopment project which will improve retail provision, increase residential buildings and enhance the public realm in the area around the Bargate. The redevelopment project has commenced but the works, which are primarily funded from the private sector, with the paving works partly funded by the council, will now be undertaken in 2019/20. A total of £0.96M will need to be slipped into 2019/20. Bitterne Public Services Hub (Slippage of £0.22M from 2018/19 to 2019/20) The project is currently at the Outline Business Case phase. This is likely to cost around £0.10M subject to tender. It is estimated that 75% of this work could be completed by the end of March subject to the use of framework agreements for

	procurement rather than an open tender process with the remaining work in 2019/20.
	<u>Community Wellbeing</u>
11.	<u>Green Projects (Slippage of £0.05M from 2018/19 to 2019/20)</u> There is a small amount of slippage on the Green Projects scheme of £0.06M which will be used to support the Warm Homes Front scheme.
	<u>Homes and Culture Portfolio</u>
12.	<u>Woodmill Outdoor Activity Centre (Forecast underspend of £0.09M)</u> The budget for this project to repair the flood wall near the centre was based on indicative costs. Following detailed surveys the extent of the work required was not as significant as anticipated. <u>Tudor House Museum (Slippage of £0.06M from 2018/19 to 2019/20)</u> An Archaeology report is required as part of the planning conditions attached to the original project to redevelop Tudor House. The Council has an obligation to write the report so the Archaeology team will be commissioned in 2019/20 to undertake the required work due to staff resourcing shortfall (£0.04M). An issue with water ingress has also been identified. Following an initial survey a more detailed assessment is required before work can begin to resolve the issue (£0.02M). <u>Sea City Treasure Trove (Slippage of £0.65M from 2018/19 to 2019/20)</u> The Scheme aims to move stored collections into the Pavilion space at the SeaCity Museum. This project has now been amalgamated into a wider project to redevelop the cultural offering at the Civic Centre. The whole scheme will be revisited as one to maximise the opportunity to take more strategic approach across collections and venues and tie into future developments in the cultural development of the City. Initial commitments and plans in March 2018 were initially rejected due to the need for a more specific direction for the project, this was confirmed with the Heritage Lottery Fund (HLF) in September 2018 when more ambitious plans were submitted with a more integrated approach for both the treasure trove and cultural hub. <u>Ancient Scheduled Monuments (Slippage of £0.20M from 2018/19 to 2019/20)</u> Following unsuccessful attempts to recruit a suitable project manager to deliver this project in 2018/19, alternative delivery methods are now being considered in order to prioritise spend and activities. A consultant will be engaged in order to escalate this project and deliver the works successfully, subject to procurement approval. <u>Outdoor Sports Centre Improvements (Slippage of £0.40M from 2018/19 to 2019/20)</u> Initial feasibility work was undertaken in 2017/18. This determined further surveys were required in order to fully assess the feasibility of the scheme. These additional surveys are currently being undertaken and are being part-funded by Sport England.
	<u>Transport and Public Realm Portfolio</u>
13.	<u>Riverside Park Pitch & Putt Irrigation System Upgrade (Forecast underspend of £0.05M)</u> The Pitch and Putt has now been licenced to be run by an external company, who have taken on the irrigation system as part of the licence. The Council

	therefore no longer needs to install an irrigation system, and this has resulted in an underspend on this project. <u>Puffin Close, Lydgate Green and Edith Haisman Play Areas (Forecast underspend of £0.01M)</u> These projects have all been completed with minor underspends of £0.01M and £0.02M on Puffin close and Edith Haisman respectively and a minor overspend on Lydgate Green of £0.02M as original budgets were based on indicative costs. <u>Highways (Slippage of £1.00M from 2018/19 to 2019/20)</u> Some works on the additional roads programme will slip into 2019/20 as the required treatment can only be undertaken in warm weather. There is a further slippage on bridge maintenance as a result of delays from the transition for delivery of structural related works to the Highways Partnership. <u>Integrated Transport (Slippage of £1.87M from 2018/19 to 2019/20)</u> This is made up of slippage on Congestion Reduction schemes of £1.06M, Public Transport £0.35M, Cycling £0.28M, Improved Safety £0.08M and Sustainable Travel £0.09M. The Congestion Reduction slippage is primarily made up of £0.81M due to a delay on the Electric Vehicle Action Plan as a result of procurement issues and ongoing discussions to link the project into the Street lighting PFI. This means that the majority of the project is now scheduled to be delivered in early 2019/20. Other projects totalling slippage of £0.25M are due to a delay in a project around the General Hospital to ensure that emergency access provision is maintained until a suitable time in the new financial year and a project that has been delayed until a decision on the proposed clean air zone is resolved. The Public Transport slippage is made up of £0.35M on works on the Bus network due to issues with schemes needing to be carried out with adjoining works that will take place in 2019/20. The slippage on the Cycling programme is due to a delay in the City Centre Cycle Network project due to waiting for an adjoining development application on Threefields Lane to be determined and works on the Northern Cycle Route which will now be undertaken in 2019/20. <u>Wildflower Mower (Slippage of £0.04M from 2018/19 to 2019/20)</u> The procurement process for the wildflower mower is expected to commence in January 2019. The lead in time for procurement means that actual purchase will likely be in early 2019/20. <u>Play Sites and Minor Park Development projects (Slippage of £0.19M from 2018/19 to 2019/20</u> A review of actual and committed expenditure across all play sites and parks development has identified a number of projects that have not yet commenced. It is therefore likely that works will be carried out late in the current year or early in the new year.
	<u>Housing Revenue Account (HRA)</u>
14.	<u>Energy Company Obligations - Thornhill Heating (Forecast underspend of £1.87M and slippage of £1.50M from 2018/19 to 2019/20)</u> The original budget of £7.10M had been reduced to £1.60M, which reflects the correct scope of work at Thornhill. This budget has been realigned against other priorities in the Fire Safety programme and replacement heating at Milner Court. An immediate start on installation work was assumed without full development of design options and a full procurement. The programme period has therefore

been extended to allow for the critical activities to be undertaken, which has resulted in delays to delivery of the project in 2018/19.

External Windows and Doors (Forecast underspend of £0.80M)

Reduced need for replacement doors and windows as the current condition of external windows and doors has been assessed as acceptable. Spend in 2018/19 is anticipated to be minimal and will be for final completion works to ensure windows and doors are remain at an acceptable condition. Works are due to recommence in 2019/20 when a programme will be established within the constraints of the existing future year's budgets for the scheme.

Renew Warden Alarm (Forecast underspend of £0.44M)

The tender process has yet to start for this scheme due to difficulties in agreeing technical brief requirements with Housing Services. As these requirements have not been established and the scheme is not demand led, the scheme has been re-scoped within the constraints of the future year's budget resulting in a forecast underspend from 2018/19 budget.

Roofing Works (Forecast underspend of £3.40M)

The tender process is still underway for the next phases of the existing programme of works within this scheme. The cost of the contract as a result of this is anticipated to be met from within the future year's budgets for this scheme. With minimal spend in 2018/19 for the completion of the existing contract an underspend has been forecast.

Household Refurbishment Project - Kitchens and Bathrooms (Forecast underspend of £0.80M)

A programme of works has not been identified for kitchens and bathrooms within HRA properties for 2018/19, and the likelihood of there being any significant demand for kitchens and bathrooms in the remainder of the financial year is considered to be minimal based on the current assessed conditions within these properties. A forecast underspend is anticipated from the 2018/19 budget with future years budgets expected to meet future demands.

External Wall Insulation – Kingsland (Forecast underspend of £0.13M)

Wall insulations works are near completion at Kingsland, the scheme is forecast to be underspent as existing insulation in some areas was found to be of an acceptable condition and did not require replacement.

External Wall Insulation – Low Rise - (Forecast underspend of £1.00M)

A minimal programme of works has been identified for external wall insulation within these buildings as the condition of the existing insulations has been deemed adequate for the near future. A further review is due to take place in 2019/20 to assess future requirements, these will be met within the constraints of the future year's budgets for this scheme.

Removal of Gas from Tower Blocks (Forecast underspend of £0.19M)

Works which the Council were to carry to remove gas from tower blocks within the city to replace gas cookers with electric cookers as they are more cost effective, have been carried out by Southern Gas Network at their expense, therefore this budget is not required.

Chimneys (Forecast underspend of £0.11M)

A planned programme of works has not been identified and a further review is to be undertaken to understand the scope of works required. There remains the possibility of further expenditure related to reactive work should damage occur over the winter months, however based on the current level of works, an underspend is forecast. A further review is due to take place in 2019/20 to assess future requirements, these will be met within the constraints of the future year's budgets for this scheme.

Energy Company Obligations (ECO) City Energy Scheme (Forecast

	overspend of £0.48M) A claim for additional fees from the project contractor has been received for additional time on the contract. However a counter claim has been made against this in relation to incomplete and sub-standard work and the project over run. The current forecast overspend is based on the worst case scenario of a maximum payment to the contractor and could reduce if the counter claims are successful. Disabled Adaptions (Forecast overspend of £0.40M) The service is demand led through referrals followed up with an assessment to see if they qualify for assistance. Needs of tenants are assessed by Occupational Therapists and works required are subsequently categorised by level of urgency. This allows delivery to be prioritised to those most in need. The demand has been greater than anticipated this year with budget overspent by £0.22M at the end of quarter 3. Based on estimated need for the remainder of the year addressing only critical, stair lift works and minor works an additional £0.18M is estimated to be required. Energy Company Obligations - Lydgate -External Wall Insulation (Slippage of £0.90M from 2018/19 to 2019/20) At the start of the project a direct engagement was assumed with the contractor, however amended tender documents needed to be developed. The programme period was extended to ensure this activity was completed. However, due to the lengthy process, the delay has resulted in the need to slip £0.90M into 2019/20. Estate Regeneration- Potters Court (Slippage of £3.70M from 2018/19 to 2019/20) Due to delays in contract formation, the works have started on site later than anticipated resulting in slippage. The project is however expected to remain within budget. Townhill Park Regeneration (Rephasing of £0.50M from 2019/20 to 2018/19) This project has developed well on site and the contractor has progressed ahead of the original schedule as a result the properties will be delivered early. This has resulted in an accelerated spend in this financial year but not for the project as a whole. As the project has been accelerated, funding will be sought from the future years of this project to ensure project is delivered within the reported timescale.
	CAPITAL RESOURCES
15.	The resources which can be used to fund the capital programme are as follows: • Central Government Grants and from other bodies • Contributions from third parties • Council Resources - Capital Receipts from the sale of HRA assets • Council Resources - Capital Receipts from the sale of General Fund assets • Revenue Financing • Council Resources - Borrowing
16.	Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Sustainability Portfolio.

17.	It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government grants to be received. The majority of these grants relate to funding for schools and transport and are unringfenced. However in 2018/19 these grants have been passported to these areas.
18.	Table 4 shows the current level of available resources.

Table 4 – Available Capital Funding

Resource	Balance Fwd £M	Received to Date 2018/19 £M	Allocated To Current Programme £M	Available Funding £M	Anticipated Receipts 2018/19 £M
Capital Receipts	(11.28)	(0.77)	14.15	2.1	(5.88)
CIL	(9.43)	(3.73)	4.37	(8.79)	(0.50)
S106	(10.63)	(0.83)	6.75	(4.71)	(0.43)
	(31.34)	**(5.33)**	**25.27**	**(11.40)**	**(6.81)**

19.	The table shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process
20.	Funding for the capital programme has previously been heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the economic climate has increased the Council’s risk in this area.
21.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been an increase of £0.04M since the last reported position due to updated valuations based on the current market conditions. It should be noted that both the previous and latest forecast positions have been adjusted to remove receipts for properties not yet on the market.

Table 5 – General Fund Capital Receipts Estimates

	B/Fwd £M	2018/ 2019 £M	2019/ 2020 £M	2020/ 2021 £M	2021/ 2022 £M	2022/ 2023 £M	Total £M
Latest Forecast	11.28	5.98	0.67	0.00	0.00	0.00	17.93
Previous Forecast	11.28	5.94	0.67	0.00	0.00	0.00	17.89
Variance	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.04**

OVERALL CAPITAL PROGRAMME

22. Table 6 and 7 show capital expenditure by portfolio and the use of resources to finance the programme up to and including 2022/23, including amendments that will be requested as part of the budget update.

Table 6 – Capital Expenditure by Programme

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Adult Care	0.73	0.63	0.50	0.00	0.00	1.86
Aspiration, Schools and Lifelong Learning	12.44	21.54	28.21	11.96	18.63	92.78
Clean Growth & Development	10.05	1.81	0.00	0.00	0.00	11.86
Community Wellbeing	2.48	1.26	0.00	0.00	0.00	3.74
Finance and Customer Experience	5.74	1.98	0.00	0.00	0.00	7.72
Homes and Culture	0.60	1.82	0.00	0.00	0.00	2.42
Transport and Public Realm	38.37	15.17	2.21	0.00	0.00	55.75
General Fund Programme	**70.41**	**44.21**	**30.92**	**11.97**	**18.63**	**176.14**
HRA Programme	53.16	52.35	43.95	35.44	0.00	184.90
Total Capital Programme	**123.57**	**96.56**	**74.87**	**47.41**	**18.63**	**361.04**

Table 7 – Use of Resources

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
*CR - GF Borrowing	22.60	19.78	19.24	0.00	0.04	61.66
*CR - HRA Borrowing	10.73	2.32	0.00	0.26	0.00	13.31

Capital Receipts	12.96	3.18	10.22	11.25	0.00	37.61
Direct Revenue Financing	18.43	5.51	1.22	2.84	0.00	28.00
Capital Grants	14.15	29.09	22.47	21.10	0.00	86.81
Contributions	10.36	18.84	10.09	0.00	0.00	39.29
HRA - MRA	34.34	17.84	11.63	11.96	18.59	94.36
Total Financing	**123.57**	**96.56**	**74.87**	**47.41**	**18.63**	**361.04**

*CR – Council Resources

23. Table 7 demonstrates that the most significant amount for funding for the General Fund programme is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funded by Major Repairs Allowance (direct revenue contribution).

RESOURCE IMPLICATIONS

Capital/Revenue

24. This report principally deals with capital and the implications are set out in the main body of the report. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the General Fund revenue budget. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property/Other

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

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

26. Financial reporting is consistent with the Chief Financial Officer’s duty to ensure good financial administration within the Council. The Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

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

RISK MANAGEMENT IMPLICATIONS

28. None.

POLICY FRAMEWORK IMPLICATIONS

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

KEY DECISION?	~~Yes~~/No

	WARDS/COMMUNITIES AFFECTED:	NONE
	<u>SUPPORTING DOCUMENTATION</u>	
	Appendices	
1.	GF & HRA Forecast Variances as at December 2018.	
	Documents In Members' Rooms	
1.		
	Equality Impact Assessment	
	Do the implications/subject of the report require an Equality and Sa Impact Assessments (ESIA) to be carried out.	~~Yes~~/No
	Privacy Impact Assessment	
	Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	~~Yes~~/No
	Other Background Documents **Equality Impact Assessment and Other Background documents available for inspection at:**	
	Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

GF & HRA FORECAST VARIANCES as at DECEMBER 2018

Portfolio	Scheme/Project	Forecast (Under)/ Overspend £M	Report Paragraph Ref.
Adults Care	Telecare Equipment	(0.33)	
	32B Kentish Rd Capital Upgrade	(0.03)	8
	Integrated Working	(0.10)	
	Adults, Housing & Communities	**(0.46)**	
Aspiration, Schools and Lifelong Learning	Primary Review P2 - Sholing Junior	0.08	
	Primary Review P2 - Fairisle Junior	0.10	
	Portswood Primary Expansion	(0.12)	
	Remedial Works at Sholing-Springwell Intake 2015	(0.01)	
	St Patricks Expansion	(0.01)	
	St Monica (Bulge class)	(0.04)	
	Bitterne Park Secondary Building Programme - planning contribution	(0.12)	
	Primary Review P2 - Valentine Primary School Westwood Block	(1.02)	9
	Springwell School - Main Expansion 15/16	(3.83)	
	R&M Programme for School 2016/17 (inc 17/18)	(2.06)	
	Early Years Expansion Programme	(0.65)	
	Bitterne Park Autism Resource Base	(0.16)	
	St George's School ESFA	(1.79)	
	Chamberlayne Refurbishment	(0.54)	
	Regent Park Expansion	0.90	
	Aspiration, Schools and Lifelong Learning Total	**(9.27)**	
Clean Growth & Development	Southampton New Arts Centre (SNAC)	3.03	
	Hampshire Community Bank	(1.00)	
	Water Fountains	(0.09)	10
	Strategic Property Acquisition	(0.05)	
	QE2 Mile - Bargate Square	(0.95)	
	Bitterne Public Services Hub	(0.22)	
	Clean Growth & Development Total	**0.73**	
Community Wellbeing	Green Projects	(0.05)	11
	Community Wellbeing Total	**(0.05)**	
Homes & Culture	Woodmill Outdoor Activity Centre (Stone Repair - Tidal Wall)	(0.09)	
	Tudor House Museum Phase 1	(0.01)	
	Tudor House Museum Phase 2 Implementation	(0.03)	
	Water ingress repairs project at Westgate & Tudor House	(0.02)	12
	SeaCity Treasure Trove	(0.65)	
	Ancient Scheduled Monuments	(0.20)	
	Outdoor Sports Centre Improvements	(0.40)	
	Homes & Culture Total	**(1.40)**	
Transport and Public Realm	Riverside Park Pitch & Putt Irrigation System Upgrade	(0.05)	
	Puffin Close Play Area	(0.01)	
	Lydgate Green	(0.01)	
	Bridges to Prosperity - Vicarage Bridge	(0.03)	
	Other Bridge Works	(0.02)	
	Northam River Bridge Containment	(0.20)	
	Additional Roads Programme	(0.30)	
	Highways Network Delivery	(0.30)	
	Highways Improvements (Developer)	(0.15)	
	Cycling	(0.11)	
	Eastern strategic cycle route development	(0.06)	
	NCR: Ave East Lodge Rd – Dorset St	(0.10)	
	Bitterne Park Triangle	(0.02)	
	Public Transport	(0.03)	
	Bus Lane & Traffic Enforcement	(0.07)	
	Bus Corridor Minor Works	(0.26)	
	Road Safety Partnership	(0.02)	
	Improved Safety	(0.06)	13
	Travel to School	(0.06)	
	School Travel Plan Measures	(0.02)	
	Intelligent Transport Sytems	(0.02)	
	Urban Freight Strategy - Delivery Service Plans	(0.05)	
	Hospital Access Improvements (Coxford Road)	(0.18)	
	Electric Vehicle Action Plan	(0.81)	
	Wildflower Area Mower	(0.04)	
	Green Park	(0.04)	
	Lordsdale Greenway	(0.01)	
	Westwood Greenway	(0.01)	
	Mobile Working for Parks & Street Cleansing Frontline	(0.01)	
	Realignment of Park Walk Entrance to East Park	(0.03)	
	Deep Dene Play Area	(0.01)	
	Cedar Lodge Play Area	(0.01)	
	Daisy Dip Play Area	(0.01)	
	Coxford Play Area	(0.02)	

GF & HRA FORECAST VARIANCES as at DECEMBER 2018

Portfolio		Scheme/Project	Forecast (Under)/ Overspend £M	Report Paragraph Ref.
		Inkerman Play Area	(0.02)	
		Mandela Way Play Area	(0.02)	
	Transport and Public Realm Total		**(3.17)**	
	Genral Fund Total		**(13.63)**	
HRA		Energy Company Obligations - Thornhill Heating	(7.07)	
		Hants Fire & Rescue Service - Fire Safety / Sprinkler Project	3.70	
		External Windows and Doors	(0.80)	
		Renew Warden Alarm	(0.44)	
		Renew Porch/Canopy	0.25	
		Roofing Lot 1 West	(3.65)	
		Household Refurbishment Project - Kitchen and Bathroom	(0.80)	
		External Wall Insulation - Kingsland Estate	(0.13)	
		External Wall Insulation - Low Rise	(1.00)	
		Removal of Gas from Tower Blocks	(0.19)	
		Chimney	(0.11)	
		Energy Company Obligations - City Energy Scheme	0.48	
		Disabled Adaptions	(0.89)	14
		Disabled Adaptions - Minor Adaptions	0.08	
		Disabled Adaptions - Stair lifts	0.14	
		Disabled Adaptions - Other Lifts 16/17	0.01	
		Disabled Adaptions - Walk in Showers	0.74	
		Disabled Adaptions - Over Bath Showers	0.03	
		Disabled Adaptions - External Adaptions	0.13	
		Disabled Adaptions - Internal Major Adaptions	0.10	
		Disabled Adaptions - Extensions.	0.05	
		Disabled Adaptions - Impairment Equipment	0.01	
		Energy Company Obligations - Lydgate - External Wall Insullation	(0.90)	
		Estate Regeneration - Potters Court	(3.70)	
		Townhill Park Regeneration	0.50	
	HRA Total		**(13.46)**	
		Total Variances	**(27.09)**	

DECISION-MAKER:		CABINET		
SUBJECT:		CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2018		
DATE OF DECISION:		19 FEBRUARY 2019		
REPORT OF:		CABINET MEMBER FOR FINANCE & CUSTOMER EXPERIENCE		
CONTACT DETAILS				
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STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

This report summarises the General Revenue Fund and Housing Revenue Account (HRA) financial position for the Authority as at the end of December 2018, and highlights any key issues by portfolio which need to be brought to the attention of Cabinet.

RECOMMENDATIONS:

General Revenue Fund

It is recommended that Cabinet:

	i)	Note the forecast outturn position is an underspend of £0.58M, as outlined in paragraph 3.
	ii)	Note that the forecast overspend for portfolios is £7.70M as outlined in paragraph 4 to 14.
	iii)	Note the delivery to date of the agreed savings proposals approved for 2018/19 as detailed in paragraphs 15 to 18.
	iv)	Note the Key Financial Risk Register as detailed in paragraph 25 and appendix 1.
	v)	Note the performance against the financial health indicators detailed in paragraphs 29 and 30 and appendix 2.
	vi)	Note the performance of treasury management, and financial outlook in paragraphs 31 to 38 and appendix 3.
	vii)	Note the performance outlined in the Quarterly Collection Fund Statement

attached at appendix 4 and detailed in paragraphs 42 to 43.

Housing Revenue Account

It is recommended that Cabinet:

viii Note the forecast outturn position is an overspend of £0.97M as outlined in paragraphs 39 to 41.

REASONS FOR REPORT RECOMMENDATIONS

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not Applicable.

DETAIL (including consultation carried out)

FINANCIAL POSITION

3. Table 1 below sets out the financial position of the General Revenue Fund.

Table 1 – General Revenue Fund Forecast Outturn Position for 2018/19

	Budget £M	Forecast £M	Variance £M
Adults	67.05	71.74	4.69 A
Aspiration, Schools & Lifelong Learning	3.77	5.08	1.31 A
Children's & Families	35.85	38.56	2.71 A
Community Wellbeing	(4.60)	(4.63)	0.03 F
Finance & Customer Experience	20.39	19.49	0.90 F
Green City	0.44	0.44	0.01 F
Homes & Culture	6.64	6.52	0.12 F
Leader and Clean Growth & Development	13.30	12.01	1.29 F
Transformation	0.00	1.68	1.68 A
Transport & Public Realm	23.80	23.46	0.35 F
Total Portfolios	**166.65**	**174.35**	**7.70 A**
Levies & Contributions	0.63	0.63	0.00
Capital Asset Management	10.95	10.95	0.00
Other Expenditure & Income	5.88	0.22	5.66 F
Net Revenue Expenditure	**184.10**	**186.15**	**2.04 A**
Draw from Balances	0.00	0.00	0.00
Council Tax	(95.94)	(95.94)	0.00
Business Rates	(99.21)	(99.21)	0.00
(Top Up)/Tariff	28.29	28.29	0.00
Non-Specific Government Grants	(17.26)	(19.88)	2.62 F
Total Financing	**(184.10)**	**(186.73)**	**2.62 F**
(SURPLUS)/DEFICIT	**0.00**	**(0.58)**	**0.58 F**

	This financial summary details the budget against forecast expenditure and the subsequent variance. The current net revenue expenditure budget is £184.10M, no change from the previous quarter. The current forecast net expenditure against this budget is £186.15M giving a forecast overspend of £2.04M. This is offset by a favourable variance of £2.62M for non-specific Government grants, giving an overall net underspend of £0.58M, an improvement of £3.49M compared to the previous quarter. An explanation of these variances is found in paragraphs 4 to 14.
	Explanation of Variances
4.	There is a forecast overspend on portfolios of £7.70M. The significant issues regarding each portfolio are detailed the following paragraphs.
5.	**Adults £4.69M Adverse Variance** Long Term £4.05M adverse variance The adverse variance is due to a combination of currently unachieved savings targets (£1.89M), and client costs per package continuing to increase (£2.16M). Since quarter two, there has also been an increasing number of new higher cost clients which has exacerbated this position. Although this represents a proportionally small number, these clients represent a significant financial impact to the service which is represented by a £2.16M adverse variance. There has been a £0.76M increase in unachieved savings targets, and £0.87M increase in client costs per package since quarter two. The unachieved savings targets are mainly based on reducing the numbers of client care packages within the Older Persons and Physical Disabilities areas. Savings plans are still being developed in this area to finalise the mechanisms for implementing this reduction, alongside additional reviews of existing clients which may deliver additional savings in client care costs. Currently numbers of client packages remain stable, with no significant overall increases or decreases since initial decreases at the start of the financial year. However, there has continued to be an increase in the number of referrals to the service. The adverse position is split over the following: • £0.68M on Learning Disability packages, and • £3.37M on Older Persons & Physical Disability packages. This overspend is net of £1.80M Integrated Better Care Funding. Safeguarding Adult Mental Health & Out of Hours £0.90M adverse variance There has been an increased number of high cost residential Adult Mental Health clients transferring from Health to Adult Social Care during the last 6 months, which has increased costs by £0.90M accordingly. The net number of clients has not changed, however the average cost per client has risen due to the increased number of clients with more complex needs. This has increased significantly since month 5. This has also led to non - achievement of the £0.13M savings target in this area. Provider Services £0.60M adverse variance There has been a significant increase in the use of temporary staffing at the Glen Lee and Holcroft residential care homes. This is due to Care Quality Commission recommendations being implemented following the recent inspection of Glen Lee and long term sickness and vacancies at Holcroft House care home.

	<u>Reablement & Hospital Discharge £0.45M favourable variance</u> There is a £0.22M underspend relating to staffing, the main reason for this is due to staffing vacancies which are in the process of being filled following the phase 3 staffing review. There is additional income of £0.20m forecast to be received from the NHS Southampton City Clinical Commissioning Group and Hampshire County Council to reduce hospital discharge wait times and respite costs. <u>ICU Provider Relationships £0.36M favourable variance</u> Housing related support contract savings of £0.28M have been achieved on the Family Mosaic contract. £0.10M of this saving is recurring and has been put forward as part of budget savings for 2019/20 onwards, and the balance of this year's saving is to be used to meet additional pressures from the Joint Equipment Store and fund the start of the work on the Hoarders' Pilot Project. Further in year contract savings have been identified of £0.05M for transition and decommissioning plus additional supplies and services savings of £0.01M.
6.	**<u>Aspiration, Schools & lifelong Learning £1.31M Adverse Variance</u>** <u>Education – Early Years & Asset Management £1.07M adverse</u> Home To School Transport (HTST) school routes have now been arranged for the 2018/19 academic year. The forecast cost for these routes have been reviewed and a reduction in the forecast pressure of £0.2M has been identified. The overall variance for HTST is now £1.1M and this is offset by various efficiency savings that have been identified across the Service of £0.03M. The service is working on a number of new proposals to mitigate the pressure including; providing training for independent travel for post 16 age group; introducing charging for Post 16 HTST to generate income and the withdrawal of some parts of the Early Learning Group HTST provision. <u>Education – High Needs & Schools £0.24M adverse</u> The overall variance is due to a forecast over spend in the Jigsaw service of £0.35M. This consists of: • £0.09M due to an increase in the number of clients receiving Direct Payment above the available budget, and • £0.26M in respect of additional costs for an increase in the number of children with High Needs being placed in residential placements. Whilst these services are statutory, the service leads are actively reviewing individual assessments to ensure that the provision provided is meeting need only and any further provision is reduced where possible. This is partially offset by efficiency savings identified across the Service.
7.	**<u>Children & Families £2.71M Adverse Variance</u>** <u>Quality Assurance Business Unit £0.46M adverse variance</u> To meet the needs of the service and to manage the recruitment and retention of social work staff, there has been an additional staffing requirement during this year. An income target of £0.28M was set for the Workforce Development team's traded services for this year. This is not expected to be achieved leading to an adverse variance is £0.20M. The adverse variances above are offset by a favourable variance of £0.15M due to a reduction in forecast expenditure on training, courses and conferences. This is following a detailed review of expenditure with a view to making savings on non-essential spend. <u>MASH & CIN £0.20M adverse variance</u>

	Four social worker posts in the Assessment Teams were due to be removed in 2018/19 as part of the Phase 3 restructure. However, due to the high demands within the service, these posts have been retained at a forecast additional cost of £0.20M. <u>Specialist Core Services £0.66M favourable variance.</u> There is a favourable forecast due to a countrywide shortage in Social Workers and difficulty in recruitment. An ongoing recruitment drive has filled some posts and will continue to fill the remaining. The forecast takes into account the use of agency staff to cover vacant posts. This is offset in part by an increase in non-staffing costs across the teams due to the high level of staff travel and costs relating to preventative expenditure which is also a movement from quarter two. In addition to this there is a forecast adverse variance of £0.10M due to the current number of cases of children and families with no recourse to public funds. This is an adverse movement of £0.05M since quarter two due to an additional three new cases and the extension of two existing cases. <u>Looked After Children £2.88M adverse variance</u> The forecast for Residential, Independent Fostering Agencies, SCC Fostering, Adoption allowances and Special guardianship orders reflects the current numbers of children in care adjusted for any children that are forecast to leave care or move into the pathways team at staying put rates of care costs. The adverse movement from quarter two of £0.23M mainly relates to movements within Residential Care with 3 new cases from the position reported at quarter two. This has been offset by a transfer of one child to supported housing. These changes have increased the forecast by £0.16M. Within Residential, there have been a number of changes in placements costs for current cases as well as extra therapy costs and charges for 2 short term placements which has increased the forecast for the year by £0.11M. <u>Early Help and Targeted & Restorative Services £0.15M favourable variance</u> The Step Down and Restorative Services teams were formed following the Phase 3 restructure and there has been a saving in staff costs against budget whilst the recruitment process was undertaken. Within Early Help, staffing vacancies being held while the new Extended Localities Model is designed and implemented has also led to a favourable variance.
8.	<u>**Community Wellbeing £0.03M Favourable Variance**</u> <u>Prevention & Inclusion Service £0.08M favourable variance</u> As part of the savings exercise, a reduction in supplies and services budgets have been identified within the Youth Offending Service. There have been nine remand cases, three of which have been high cost. Although further cases are not currently expected, the nature of this service is unpredictable as it depends on whether any further serious crimes are committed by young people that warrant them being taken into a secure unit. <u>Grants to Voluntary Organisations £0.08M adverse variance</u> As part of the transitional arrangements for the Advice Information and Guidance contract (AIG) the previous provider Southampton Advice & Representation Centre (SARC) were awarded work on appointeeships on behalf of adults. This cost is over and above the funds allocated for the AIG contract. £0.06M has been built in the Medium Term Financial Strategy in 2019/20 to partly meet the additional costs.
9.	<u>**Finance & Customer Experience £0.90M Favourable Variance**</u> <u>Business Operations & Digital £0.49M favourable variance</u>

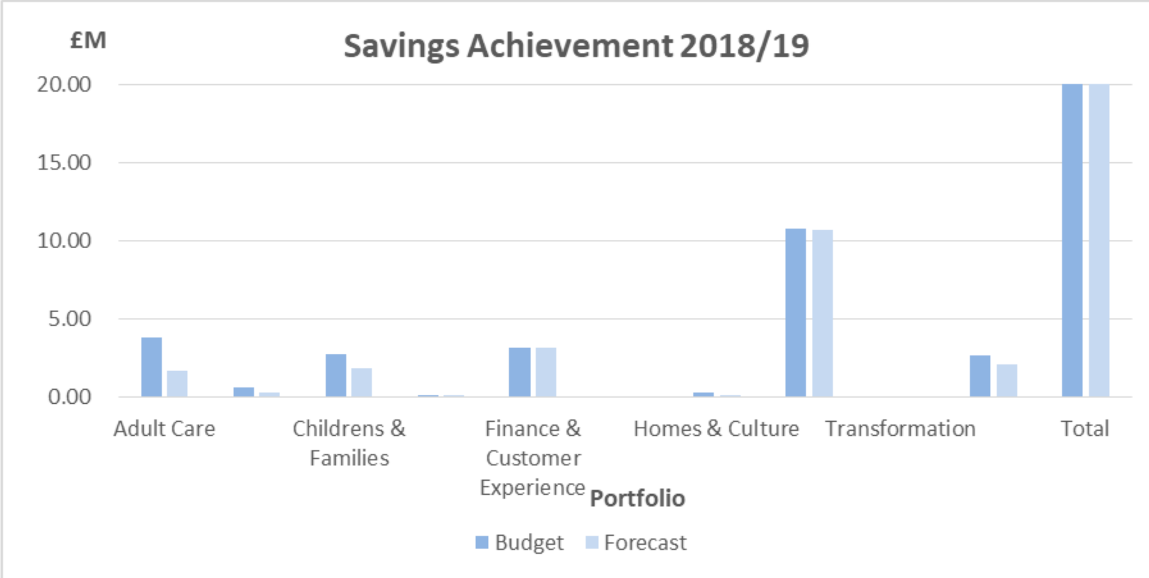
	There are in year vacancy savings in Business Support and IT due to staff turnover resulting in vacant posts. Capita Partnership Services have yielded a saving of £0.29M due to the cessation of payments for the Digital Guarantee from October 2018 and Capita Investment Fund from January 2019 onward. This includes savings from reductions in service as a result of the implementation of a change notice resulting in a favourable movement from Quarter 2. <u>Finance & Commercialisation £0.41M favourable variance</u> There are new in year vacancy savings of £0.35M in Accounts Payable & Receivable due to significant staff turnover and difficulties in recruiting staff. New in year savings of £0.06m from contributions to the Insurance Fund within Risk and Insurance as the insurance premiums have remained at the same level as 2017/18 thus generating a saving from inflationary increases to the budget.
10.	**<u>Green City £0.01M Favourable Variance</u>**
	There are no significant variances to report.
11.	**<u>Homes & Culture £0.12M Favourable Variance</u>**
	<u>Cultural Services £0.11M favourable variance</u> A permanent budget transfer of £0.10M to fund two project manager positions was made in quarter 3. This is the full year budget however these positions will not be filled until the start of the new financial year creating an in-year favourable variance. The adverse movement is a result of a budget transfer in relation to a project to relocate the Council's heritage collections into the Pavilion space at SeaCity. This project will now be undertaken in the new financial year and the corresponding budget has been removed in 2018/19.
12.	**<u>Leader and Clean Growth & Development £1.29M Favourable Variance</u>** <u>Capital Assets £0.85M favourable</u> An unachieved saving of £1.27M related to property rationalisation is creating a pressure in the in-year budget. This is being managed from underspends within the service on staffing, the repairs and maintenance budget, along with increased investment property income following rent reviews and new investments. These elements are now forecast to outweigh the pressure creating a favourable variance in year. The forecast underspend on the planned maintenance budget of £1.23M from a reduced work programme in year in relation to work on civic buildings has been assessed to provide adequate maintenance of the civic building portfolio. The movement from Quarter 2 reflects the forecast on the reactive element of the budget, based on works completed to date. <u>Corporate Communications £0.16M favourable</u> Vacant posts have created savings in the Corporate Communications Team which are expected to be recruited to by period 10.
13.	**<u>Transformation £1.68M Adverse Variance</u>**
	Reflection has been given on the ability of the procurement team to be able to impact on the overall redesign of Adult Social Care and by default the associated addressable spend linked to the Procurement Guarantee. It is expected that a reduction in the Procurement Guarantee (£1.83M) will be considered to remove Adult Social Care Spend in 2018/19. Additionally, when setting the 2018/19 budget in February 2017, an assumption was made that additional digital savings of £1.40M could be achieved. These savings

	are now not expected. £1.55M of reserves has been released to help meet this pressure.
14.	**<u>Transport & public Realm £0.35M Favourable Variance</u>**
	<u>City Services – Waste Management £0.05M adverse</u> Quarter 3 of 2018/19 saw further increases in the cost of disposal of trade waste to £177 per tonne, which represents a significant increase since April 2018 and implied a cost increase of £0.15M. However, a contract exemption has been obtained, which has enabled the use of an alternative supplier at a more favourable rate, with effect from January 2019, enabling the service to contain this cost. The budget for 2018/19 included an income target relating to alternative service delivery models, of £0.45M. City Services, along with car parks, went through a Business Academy process late in 2017/18. Following the Council decision to pause the LATCo in July, the forecast has been amended to reflect the proposals put forward as part of this process, generating an adverse variance in 2018/19 of £0.33M. Damage and repair costs are forecast to be overspent by £0.22M in 2018/19, as a result of an ageing fleet. Approval has been sought to commence procurement of replacement refuse freighters. The adverse variances are being partially offset by savings on waste disposal costs arising from the implementation of Alternate Weekly Collections. <u>City Services – Open Spaces £0.18M adverse</u> The forecast variance movement of £0.05M in Quarter 3 relates to a contribution from Go Southampton Business Improvement District towards street cleansing. This had been budgeted as a full year income, however the agreement was not formalised until October and therefore half a year's income will be achieved. The tree team have experienced significant staff turnover and a backlog of non fee earning work on SCC tree stock, generating an adverse variance of £0.16M; this will be largely offset by additional income through Schools contracts. Fuel, damage and repair costs relating to plant, fleet and equipment are forecast to be £0.10M adverse, as a result of ageing equipment and the increase in fuel prices since April. <u>Regulatory Services £0.52M adverse</u> During 2017/18, the adverse impact of the new privately operated Crematorium in Romsey in August 2017 on income was reported. The continuing impact on income within Cemeteries in 2018/19 is estimated to be £0.55M, an increase of £0.15M since Quarter 2. A marketing plan has been developed and a fee increase has been implemented in 2018/19 to help mitigate this impact. A higher volume of shipping at the Port was reported at Quarter 2, generating an increase in chargeable inspections. This is partially offset by increased staffing costs required to deal with the additional volume. Higher volumes continued into Quarter 3, increasing the income forecast by £0.10M. The increase in volume is not expected to continue into Quarter 4 following resolution of issues at Felixtowe port, and therefore this favourability is not expected to be ongoing. Other variances include an adverse variance on Registration services, following the introduction by government of an online service for Nationality Checks. The introduction of this service means that applicants are no longer obliged to take this service from the registration office, resulting in a reduction in income forecast to be £0.08M. <u>Parking Services £0.11M favourable</u>

	The forecast for car parking income is showing a favourable variance of £0.11M. This is largely down to increased take-up for season tickets and parking permits, and is partially offset by corresponding adverse variance on metered income. <u>Transportation £0.79M favourable</u> There has been a favourable variance of £0.13M in Quarter 3 on the concessionary fares scheme based on actuals to date forecast to the end of the year due to improved reimbursement rates for the Authority following renegotiation of the rates with the bus operators. The Council has a profit sharing arrangement with Clear Channel for advertising space on SCC transport network. Income of £0.75M is forecast for 2018/19, which includes back dated payments for 2016/17 and 2017/18. The income is higher than in previous years following the introduction of digital advertising, which gives scope for significantly more advertising to be displayed. This favourable variance has been partially offset by staffing pressures of £0.10M within the service. <u>Supplier Management £0.10M favourable</u> There are savings in the contract management fee and higher income share from our contract with Balfour Beatty, generating a favourable movement recognised in Quarter 2.
	<u>Implementation of Savings Proposals</u>
15.	Savings proposals of £24.31M were approved by Council in February 2018. Table 2 is a summary of the progress on achieving these savings.
	Table 2 Analysis of Achievement of Savings

	%
Actual reduction in expenditure (GREEN)	71
Forecast reduction in expenditure (AMBER)	12
No forecast reduction in expenditure but plans being put in place to achieve (RED)	10
Saving will not be achieved (PURPLE)	7

16.	12% of savings are amber and forecast to be achieved, whilst 17% (red and purple) are not forecast to be achieved. These represent a risk to the financial position of the council until all management actions required to deliver the savings are complete and the reduction in spend can be evidenced.
17.	The chart below shows the achievement of total savings required by portfolio.



18.	The overall financial shortfall in the delivery of the 2018/19 savings proposals is currently forecast as £4.10M.
	Other Income & Expenditure
19.	Following a review of central inflation requirements, £2.0M has been released to help meet the forecast shortfall in both procurement and digital savings.
20.	Additionally, £0.3M of contingencies have been released to meet additional incinerator outage costs. A further £3.4M of contingencies have been released to meet demand pressures.
	Non-Specific Government Grants
21.	The Council has received additional Grant Income of £2.62M. This has arisen from additional winter pressures monies (£1.1M), business rates levy rebate (£0.84M) and additional adult social care grant announced in the spring 2018 (£0.68M).
	Reserves & Balances
22.	At the 31st March 2018, earmarked reserves totalled £82.03M, plus Schools Balances totalling £4.01M.
23.	The estimated forecast position as at the 31st March 2019 is £62.68M, with Schools Balances forecast to be in deficit by £0.35M and subject to the overall Dedicated School Grant deficit.
24.	The General Fund Balance is currently £11.3M and there is a planned draw of £1.3M in 2018/19 in relation to the termination of the Capita contract.
	Key Financial Risks
25.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council. The register has been reviewed and is attached as Appendix 1.
	Schools
26.	At 31st December 2018 there were 15 schools reporting a deficit balance as shown in the table below, an additional 2 schools compared to the previous quarter.

Table 3 Schools in Deficit

	Deficit £M	No. of Schools
Nursery	0.24	1
Primary	1.41	7
Secondary	1.97	5
Special	0.68	2
Total	4.30	15

These schools are working with Children's & Families to agree Deficit Recovery Plans (DRP). Provision for additional resources has been identified within earmarked reserves to fund a school improvement officer and additional finance support to work closely with these schools and to monitor achievement of actions during 2019/20.

27. As previously reported there is a significant pressure within the High Needs Budget, and a number of options have been previously approved, including a one off contribution from General Fund Reserves, to facilitate a workable solution.

The pressure in 2018/19 (and assumed for 2019/20) is £2.41M. However, in recognition that there is a national high needs funding issue, the Government have allocated additional DSG monies in 2018/19. SCC will receive an additional £1.1M, which is the maximum available and will continue to receive the maximum increases in future years (expected to be £0.9M in 2019/20).

At the Schools Forum in January 2018, agreement was reached to 'top slice' 0.5% of the Schools Block DSG to help meet the high needs pressure funding a further £0.7M.

In December 2018 a further allocation of High Needs Funding was announced with SCC receiving £0.53M.

At this stage this results in a deficit position in 2018/19 of £0.09M increasing to £0.28M in 2019/20. A review is to be undertaken of the entire Education Service provided by the Council to identify options to the meet the remaining funding gap.

It has been assumed that the above noted pressures will need to be accommodated within the Dedicated Schools Grant (DSG).

28. **Education PFI Contract**

A shortfall of around £3.5M to the end of the contract in 2031/32 has been identified due to revised inflation factors as measured by the Retail Price Index (RPI) and the income from a sinking fund set up in 2010 to generate funds to pay for the unitary charge. A briefing paper to the Service Directors for Children's and Families Services, and Finance and Commercialisation is being prepared to assess the current position, and propose the next steps to mitigate the pressure identified. It is anticipated that this will result in a full review which will be completed in Q3 2019/20.

Financial Health Indicators

29. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 2 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

30. At present all indicators are green with the exception of those for income collection and creditor payments. 21.72% of outstanding debt is more than 12 months old compared to a target of 20%, and the payment of undisputed invoices within 30 days is 86% compared with a target of 98%. The latter is an anticipated dip in performance due to enforcement of the processing of goods received notes.

Treasury Management

31. The Council approved a number of indicators at its meeting in February 2018. Appendix 3 includes current performance against these indicators along with an update on the financial outlook. The council has operated within the agreed prudential indicators for the third quarter and is forecast to do so for the remainder of the year.

32. Table 4 shows the years opening balance of borrowing and investments, current levels and those predicted for year-end.

33.

Table 4 Borrowings and Investments	01.04.2018 Balance £M	31.12.2018 Balance £M	Average Yield/Rate %	31.03.2019 Estimated Balance £M
External Borrowing				
Public Works Loan Board (PWLB)	208.81	200.33	3.35	197.34
Market Loans	9.00	9.00	4.86	9.00
Total Long Term Borrowing	**217.81**	**209.33**	**3.44**	**206.34**
Temporary Borrowing	33.35	25.36	0.91	67.43
Total External Borrowing	**251.16**	**234.69**	**3.35**	**273.77**
Table 4 Borrowings and Investments	**01.04.2018 Balance £M**	**31.12.2018 Balance £M**	**Average Yield/Rate %**	**31.03.2019 Estimated Balance £M**
Investments				
Cash (Instant access)	(23.48)	(19.36)	(0.71)	(10.00)
Cash (Notice Account)	(3.00)			
Fixed Term Deposits	(10.00)			
Short Term Bonds	(3.14)	(1.60)	(1.21)	(1.60)
Long Term Bonds	(6.80)	(6.02)	(3.18)	(6.02)
Property Fund	(27.00)	(27.00)	(4.47)	(27.00)
Total Investments	**(73.42)**	**(53.98)**	**(4.09)**	**(44.62)**
Net Borrowing	**177.74**	**180.71**		**229.15**

34. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is an estimated increase in net borrowing of £51.4M for 2018/19. This is as a result of approved new capital borrowing during 2018/19 of £51.7M.

35. The interest cost of financing the council's long term and short term loan debt is charged to the general fund revenue account and is detailed below together with a

	summary of performance to date.
	Borrowing
36.	The forecast cost of financing the council's loan debt is £13.9M of which £5.5M relates to the HRA however this will be subject to movement as the need for further borrowing becomes more certain. As short term interest rates have remained low and are likely to do so for the remainder of the year, we do not anticipate taking any long term debt and will finance the 2018/19 capital programme via short term debt. This is the most cost effective way of managing treasury and also reduces risk as investments also fall. We currently have £25M in short term debt and this is expected to increase to £67M to replace maturing long term debt and to fund the current capital programme.
	Investment
37.	Balances initially increased at the beginning of the year rising from £73M to £99M in mid- April, but have since fallen back to £54M and are expected to fall further throughout the year, to an estimated £50M by the end of the year.
	External Managed investments
38.	The council has invested £27M in property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. As at the 31st December 2018 the sell price of our total investments were valued at £27.61M a notional "gain" of £0.61M against an initial investments of £27M. The estimated yield for the year is £1.21M if yields remain around current levels.
	Housing Revenue Account
39.	The expenditure budget for the HRA was set at £72.58M and the income budget at £72.58M, with no draw on balances envisaged. This is detailed in the table below.
	Table 5 – HRA Summary

	2018/19 Budget	Quarter 3 Forecast	Variance
	£M	£M	£M
Net rent income	(69.63)	(68.73)	0.90 A
Service charges & other income	(2.82)	(2.87)	0.05 F
Misc. Adjustments	0.00	0.00	0.00
RTB admin	(0.13)	(0.13)	0.00
Total income	**(72.58)**	**(71.73)**	**0.85 A**
Management	21.57	21.88	0.31 A
Depreciation	19.53	19.53	0.00
Responsive & Cyclical repairs	14.79	16.25	1.47 A
Other revenue spend	0.10	0.10	0.00
HRA cost of rent rebates	0.00	0.00	0.00
Total service expenses	**55.98**	**57.76**	**1.78 A**
Capital charges	6.17	6.17	0.00
Repayment of loans	5.96	5.50	0.46 F
Revenue contribution to capital	4.47	3.27	1.20 F
Total expenditure	**72.58**	**72.70**	**0.12 A**
(Surplus) / Deficit for the year	**0.00**	**0.97**	**0.97 A**

40. The forecast position for the year end on income and expenditure items shows an overspend of £0.97M. The service are currently reviewing how this adverse position can be mitigated.

41. Supervision & Management £0.33M adverse variance

There has been an increase in rent arrears due to the implementation of Universal credit. This has made it necessary to increase the provision for doubtful debts, resulting in an adverse variance in this area of £1.29M. A review of centrally held budgets which historically have been allocated to specific expenditure items has resulted in a reduction of £0.45M in forecast expenditure, an improvement of £0.27M from quarter 2. Recruitment delays within Supported Housing, and increased income from Housing Related Support have contributed to a favourable variance of £0.21M.There has been a reduction in the forecast recharge from the Capital Assets Team of £0.3M, based on a review of the work undertaken by that team in quarter 3.

Responsive repairs £1.93M adverse variance

Repairs expenditure continues to be at the same rate as the previous financial year, leading to an increased risk of overspend in this area. There is a forecast overspend to reflect this risk, with ongoing discussions taking place via the Housing Improvement Board as to actions to mitigate this risk. The forecast position has deteriorated since quarter two due to the lack of mitigating actions introduced to reduce spend so far.

Interest & Principal re-payments £0.46M favourable variance

Principal repayments as calculated in the HRA Business Plan assumptions during budget setting have overstated the re-payments profile timing in year due to assumptions relating to repayment timing. The forecast has been amended to reflect the current Treasury Management Strategy and forecasting.

Dwelling Rents £0.23M favourable variance

Right-to-buy sales have been less than forecast since the Business Plan assumptions were set in the previous financial year. This has led to a higher rental income figure forecast than budgeted due to the higher number of properties in the Housing Revenue Account.

Tenants Service Charges £0.02M favourable variance

Right-to-buy sales have been less than forecast since the Business Plan assumptions were set in the previous financial year. This has led to a higher service charge income figure forecast than budgeted due to the higher number of properties in the Housing Revenue Account.

Leaseholder Service Charges £0.18M favourable variance

Further work has been carried out to increase applicable charges for works allowable under section 20 of the Commonhold and Leasehold Reform Act 2002.

Collection Fund

42. Appendix 4 shows the forecast outturn position for the Collection Fund. The position is breakeven in the year, with a cumulative surplus being carried forward on both council tax and business rates. Table 6 shows the forecast change in position for the Collection Fund.

Table 6 – Collection Fund Forecast 2018/19

	Council Tax £M	NDR £M	Total £M
Change in 2018/19 (Deficit) Surplus	0.00	(0.44)	(0.44)
(Reduction)/Increase in year-end Surplus brought forward from 2017/18	2.39	3.54	5.93
Overall 2018/19 Surplus	**2.39**	**3.10**	**5.49**
SCC Share of Surplus	**2.05**	**1.30**	**3.35**

43. The Council's share of the surplus for council tax is £2.05M and its share of the business rates surplus is £1.30M, giving a net surplus of £3.35M. These have been taken into account in setting the 2019/20 Council Tax and General Revenue Fund Budget.

RESOURCE IMPLICATIONS

Capital/Revenue

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

Property/Other

45. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

46. Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.

<u>Other Legal Implications</u>:	
47.	None.
RISK MANAGEMENT IMPLICATIONS	
48.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
49.	None.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	Key Financial Risk Register
2.	Health Indicators Qtr. 3
3.	Treasury Management Quarterly Benchmarking and Financial Outlook Qtr. 3
4.	Collection Fund Qtr. 3

Documents In Members' Rooms

1.	None
2.	
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents **Equality Impact Assessment and Other Background documents available for inspection at:**	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	General Fund Revenue Budget Report 2018/19 to 2021/22 (Approved by Council	

	February 2018)	

KEY FINANCIAL RISKS

The following table identifies the key financial risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned. These financial risks are reflected in the assessment of the adequacy of estimates and reserves. The assessment of risk is based on the following risk scoring criteria:

LIKELIHOOD (Probability)		
A - Almost Certain	**> 95%**	Highly likely to occur
B - Likely	↑	Will probably occur
C - Possible	**50%**	Might occur
D - Unlikely	↓	Could occur but unlikely
E - Very Unlikely	**< 5%**	May only occur in exceptional circumstances

IMPACT (Consequence)	
1 - Extreme	Loss or loss of income > £20m
2 - Major	Loss or loss of income £10m < £20m
3 - Significant	Loss or loss of income £5m < £10m
4 - Moderate	Loss or loss of income £500k < £5m
5 - Minor	Loss or loss of income £10k < £500k

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE1.	**Pay Inflation** - underestimated in the original estimates.	Possible	Moderate	• *The MTFS model approved in February 2018 is based on a pay award of 2% over the medium term.* • *It should be noted that the agreed pay award is 2% per annum for 2018/19 and 2019/20.*	Unlikely	Minor
FE2.	**Interest rates** are underestimated.	Possible	Moderate	• *Reliance placed on market intelligence provided by Treasury Management advisors.* • *Treasury Management Strategy is aligned with CIPFA Code and MHCLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.*	Unlikely	Minor
FE3.	**Existing fees and charges:** Projected levels of income within the period are not achieved and/or maintained.	Possible	Moderate	• *Fees and charges have been reviewed as part of the business planning process. If there are 'in year' shortfalls these form part of the budget monitoring processes.* • *Lower risk as existing income streams are known and are therefore more predictable*	Possible	Moderate
FE4.	**New income streams:** Projected levels of income within the period are not achieved.	Possible	Moderate	• *Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop and exit from the European Union that these levels of income will not be achieved.* • *Higher risk as it is based on new sources of income.*	Possible	Moderate
FE5.	**Volatility of Business Rates funding** given the uncertainty around impact of successful appeals .	Likely	Significant	• *The Valuations Office has undertaken a reset of rateable values from 2017/18. The provision has been reviewed in light of the revaluation and known current appeals and will be reviewed on a regular basis, at present this is deemed to be adequate.* • *Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.* • *In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.*	Unlikely	Minor

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE6.	**Increase in demand led spending pressures** (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.	Possible	Significant	• *Annual budget setting process developed in consultation with service managers* • *Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to CMT and Cabinet (Quarterly).* • *Action plans to address any significant in year budget variances are agreed with CMT with the status of the agreed actions reported to CMT on a monthly basis* • *Action plans in place that are intended to manage/reduce the number of Looked After Children* • *Additional funding for Adult Social Care has been announced by Government*	Possible	Moderate
FE7a.	Third party provider costs will increase as a result of the introduction of the **National Living Wage**	Almost certain	Moderate	• *As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget.*	Possible	Moderate
FE7b.	**Third party provider costs increase** as result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Possible	Moderate	• *ICU contract monitoring arrangements and general market oversight and intelligence*	Unlikely	Minor
FE8.	**Legal challenge to savings proposals** that could result in the proposal being either discontinued or revised.	Possible	Moderate	• *Robust budget consultation process in place.*	Unlikely	Minor
FE9.	**Pressure on returns from investment properties** in both the short and longer term.	Possible	Significant	• *There is a full and robust process around the financial and legal analysis of the individual investments.* • *Investments are not confined to the Southampton area.* • *No further property investment fund activity is planned.*	Possible	Moderate
FE10.	**Voluntary sector** is either unwilling or unable to support the delivery of certain services or activities	Possible	Significant	• Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector	Possible	Moderate
FE11.	The council's **service delivery partners** seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement.	Likely	Significant	• Central Contracts Team monitors and work closely with the council significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities.	Possible	Moderate

- **Adequacy of proposed financial reserves**

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	Likelihood		Impact	Likelihood
FR1.	**Business Rate Retention & Council Tax Growth -** the council fails to collect, retain and grow business rate income	Possible	Significant	• *The assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government.* • *The current MTFS includes assumptions on growth which have been developed in conjunction with the Growth service area and recognise pipeline developments and their assumed operation dates. These will be monitored on a monthly basis as part of the standard monitoring.*	Possible	Moderate
FR2.	**Delivery of all of the agreed savings** is not achieved.	Possible	Major	• *Progress and delivery of the overall Programme and individual projects is monitored at Service Director level, by CMT, with any non achievement forming part of the normal budget monitoring action plan process.* • *CMT review the validity and achievability of projects and provide approval (or not) to projects*	Unlikely	Significant
FR3.	The Government could impose a lower **Council Tax referendum** threshold (currently 2.99%) and/or reduce or remove the **Adult Social Care Levy** (3%)	Possible	Moderate	• *Assumption is that Council Tax rises were set at just below the 3% referendum limit in 2018/19 at 2.99% and future years at 1.99% (excluding the Adult Social Care Levy).* • *The Adult Social Care Levy was only introduced as part of the Autumn 2015 Spending Review and allows local authorities with social care responsibilities to increase Council Tax by a further 3% (17-18 & 18-19). No further assumptions have been made beyond 2019-20 for any increase in this income over and above the 6%.* • *The MTFS assumes this levy will be taken in all years as the calculated increase in funding for adult social care far outweighs the income gained from this levy.*	Unlikely	Moderate
FR4.	**Slippage in capital receipts** (not accompanied by a slippage in spend).	Possible	Moderate	• *Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be found in the capital programme.* • *Impact reflects the cost of borrowing in short term (the interest payments).*	Possible	Minor
FR5.	If **building inflation** was to exceed general inflation over a prolonged period, this would have a significant adverse impact on **HRA balances** and, in turn, the business model in respect of the redevelopment and refurbishment of the SCC Housing stock.	Possible	Significant	• *Surpluses are liable to change annually, either favourably or not, and this will be reflected the annual review of stock investment needs and estimated unit rates.* • *Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget*	Possible	Moderate
FR6.	Further reduction in the Education Services Grant (ESG) through central government funding reviews as well as reductions resulting from Academy Transfers.	Almost certain	Moderate	• *Costs need to be reduced in line with reductions in funding.* • *Development of a strategy in terms of whether / what services SCC may choose to still offer to Academy Schools*	Possible	Minor
FR7.	The level of funds within the **internal insurance provisions** is inadequate to meet current or future demand	Possible	Moderate	• *The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds.* • *The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis.*	Unlikely	Moderate

- **Adequacy of proposed financial reserves**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	**Likelihood**		**Impact**	**Likelihood**
FR8.	**Ad hoc or unforeseen events / emergencies.**	Possible	Significant	• *The Council's Reserves may be utilised in respect of the financial impact of such an event.* • *Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme.*	Possible	Significant
FR9.	The cost of implementing the **Care Act** 2014 is greater than anticipated.	Unlikely	Moderate	• *Current assumption is for the cost of this new burden to be met by the funding allocation provided within the Better Care Fund and the new Carers and Care Act Implementation grant* • *This funding has now been included within the Revenue Support Grant and the main implications of the Care Act have been deferred until 2019-20.*	Unlikely	Moderate
FR10.	**CCG** could seek to reduce its level of contribution to the **'pooled budgeting '** arrangement with SCC	Possible	Significant	• *Ongoing relationship and dialogue with CCG re shared objectives and outcomes.*	Unlikely	Moderate
FR11.	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation **of welfare reforms**	Possible	Moderate	*The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.*	Possible	Moderate
FR12.	**Inflation increases** at a higher rate than anticipated	Possible	Moderate	• *Assumptions have been made in the forecast about the likely level of general inflation that will apply in 2018/19. CPI is currently running at 2.4% in 2018/19 reducing to 2.0% over the medium term. This has been assumed in the MTFS model.* • *Market intelligence provided by Arlingclose - independent treasury advisors* • *An amount is included in the MTFS to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.* • *Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference.*	Unlikely	Minor
FR13.	Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Moderate	• *National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment.* • *There may be either pressure or incentives for non UK owned business to move operations back to within an EU country.* • *Treasury Management advisors are regularly updating the Council on the economic impact of exiting the European Union, the strength of the pound, inflation and interest rates.*	Likely	Moderate
FR14.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation	Possible	Moderate	• *A Projects and Change Team has been established. A full programme management process is in place including planning and risk assessment, with signficant support to major projects.*	Unlikely	Moderate
FR15.	New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur.	Possible	Moderate	• *New accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Risk Reserve will be used to manage the volatility that the timing difference may cause.* • *The Government has put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23.*	Possible	Moderate

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Appendix 2

FINANCIAL HEALTH INDICATORS – QTR 3

Prudential Indicators Relating to Treasury

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£860M	£345M	Green
As % of Authorised Limit	100%	40.12%	Green

	Maximum	Highest YTD	Status
Authorised Limit for external debt £M	£860M	£325M	Green
Operational Limit for external debt £M	£780M	£325M	Green
Maximum external borrowing year to date		£251M	Green
Limit of fixed interest debt %	100%	81.3%	Green
Limit of variable interest debt %	50%	18.7%	Green
Limit for Non-specified investments £M	£55M	£35M	Green

Other Treasury Performance Indicators	Target	Actual YTD	Status
Average % Rate Long Term New Borrowing	0.00%	0.00%	Green
Average % Rate Existing Long Term Borrowing	3.50%	3.35%	Green
Average Short Term Investment Rate - Cash	0.40%	0.71%	Green
Average Short Term Investment Rate - Bonds	0.50%	1.24%	Green
Average Long Term Investment Rate - Bonds	2.00%	3.20%	Green
Average Return on Property Fund	4.00%	4.47%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£11.3M	
Forecast Year End General Fund balance	£11.3M	Green

Income Collection

Outstanding Debt:	2018/19 Target	Qtr3 YTD	Status
More Than 12 Months Old (Agresso only)	<20%	21.72%	Amber

Creditor Payments

	2018/19 Target	Qtr3 YTD	Status
Payment Days	20	25	Amber
Undisputed invoices paid within 30 days	98.0%	86%	Amber

Tax Collection rate

	2017/18 Actual Rate	Target Collection Rate	QTR 3 Collection Rate		Status
			Last Year	This Year	
Council Tax	95.7%	94.9%	81.0%	80.9%	Green
National Non Domestic Rates	99.1%	98.7%	85.6%	85.6%	Green

Treasury Management Financial Outlook and Quarterly Benchmarking

Financial Review and Outlook for 2018/19

The UK economy continues to face a challenging outlook as the government negotiates the country's exit from the European Union.

The low for longer interest rate outlook theme that has been at the core of our treasury advisor, Arlingclose, recommended strategic advice for over a decade now remains despite increases in UK official interest rates. The Bank of England's Monetary Policy Committee (MPC) signalled its concerns regarding its inflation outlook around which it frames monetary policy by raising Bank Rate for the second time to 0.75% on 2nd August 2018. This is a much more cautious tightening than the path that has been adopted by the US Federal Reserve. The Fed have raised its equivalent official interest rate nine times since the late 2016 and four times during 2018 much to the increasing chagrin of the President Trump. Elsewhere, central bankers have maintained interest rates at what were initially deemed to be emergency levels but now seem more entrenched as the new-normal. This is particularly the case with the Euro area and in Japan where Quantitative Easing has been the operational focus of its respective central banks although the tapering of this activity is now well underway, for now at least.

December 2018 was volatile in terms of the performance of riskier asset classes, most notably equities. The FTSE100 (a reasonably good indicator of global corporate sentiment) returned -8.8% during 2018 assuming dividends were reinvested, in pure price terms it retreated around 13%. But spreads on corporate bonds also widened reflecting concerns about tougher economic conditions ahead and the abilities of corporates to service their debt obligations. Much of this damage was done in the last few months of the year as investors wrestled with a range of global concerns: an economic slowdown in China, rising trade tensions initiated by the US with China, a sharply lower oil price reflecting lower demand for crude, slowing Euro area output, Italian budget stand-off, continuing momentum in populist political parties and for the UK the ongoing uncertainty surrounding the country's exit from the European Union.

Arlingclose's central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. However, recent events around the UK exit have dampened interest rate expectations and the risks are weighted to the downside. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. The Bank of England will hold at or reduce interest rates from current levels if serious risks materialise.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**

Gilt yields have remained at low levels. Arlingclose expects some upward movement from current level but a projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

Credit background:

There were a few credit rating changes during the quarter, none of which have impacted on our investment strategy.

Credit Default Swap (CDS) spreads drifted up over the period, reflecting the ongoing uncertainty around the UK Exit from the EU, but continuing to remain low in historical terms. The spread on non-ringfenced bank NatWest Markets plc rose sharply to around 129bps while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 44bps. The other main

UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 44 and 94 bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) is complete and the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) continues prior to starting trading as separate entities from 1st January 2019.

The Bank of England released its latest report on bank stress testing, illustrating that all entities tested were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

There were minimal credit rating changes during the period. Moody's revised the outlook on Nationwide Building Society to negative from stable as it believes Nationwide may become more reliant on retail deposit funding going forward, reducing the volume of wholesale deposits and senior debt available to a level where only a two-notch uplift is warranted rather than the current three notches.

Our treasury advisor Arlingclose will continue to provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Investment Performance

The council's advisors undertake quarterly investment benchmarking across its client base. As reported previously our portfolio was more diversified and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we will see a fall in suitable instruments. With this in mind, and following discussions with our advisors, it was decided to move more into property funds, which are a longer term investment, and to restrict temporary borrowing and therefore run our short term investments down.

During the last quarter our investments in bonds remained at £7.62M and we have maintained the property funds at £27M, with all other cash being placed in either Money Market Funds (MMF) or instant access bank accounts. As a result we had 27% (£15M) of our overall investment in Money Market which is in line with other Unitary Authorities for this time of year but this is expected to fall to about £10m by year end.

Due to earlier investment decisions our income return on investments managed internally is 1.30% which is higher than the average of 0.80% whilst still maintaining the average credit rating of AA-. Total income return at 2.84% is also higher than the average for both unitary (1.53%) and LA's (1.27%). Our total investment return at 4.41% is again higher than both unitary (1.31%) and LA's (0.97%) across Arlingclose's client base and is mainly due to the investments made in property funds, but as previously reported the value of the funds are more volatile and can go down as well as up but are less risky than buying individual properties and do not constitute capital spend and it is the income return at 4.47% that is the driver to invest.

Appendix 4

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2019

	Current Budget 2018/19 £M	Forecast 2018/19 £M	Variance Adverse / (Favourable) 2018/19 £M
Council Tax			
Income			
Income from Council Tax Payers	(114.13)	(113.46)	0.67
Transfers (to)/from the General Fund:			
Hardship Relief	(0.20)	(0.20)	0.00
Local Council Tax Discount	0.00	0.00	0.00
	(114.33)	**(113.66)**	**0.67**
Contributions towards Previous Years C.Tax (Surplus)/Deficit:			
Southampton City Council	0.00	0.00	0.00
Hampshire Police	0.00	0.00	0.00
Hampshire Fire & Rescue	0.00	0.00	0.00
	0.00	**0.00**	**0.00**
Total Council Tax Income	**(114.33)**	**(113.66)**	**0.67**
Expenditure			
Precepts:			
Southampton City Council	95.93	95.93	0.00
Hampshire Police	11.42	11.42	0.00
Hampshire Fire & Rescue	4.23	4.23	0.00
	111.58	**111.58**	**0.00**
Bad and Doubtful Debts:			
Write-offs	2.75	1.01	(1.74)
Provisions	0.00	1.06	1.06
	2.75	**2.07**	**(0.67)**
Total Council Tax Expenditure	**114.33**	**113.66**	**(0.67)**
Council Tax Deficit/(Surplus) for the Year	**0.00**	**0.00**	**0.00**
Council Tax Deficit/(Surplus) Brought Forward	0.00	(2.39)	(2.39)
Council Tax Deficit/(Surplus) Carried Forward	**0.00**	**(2.39)**	**(2.39)**
Business Rates			
Income			
Income from Collectable Business Rates	(115.45)	(111.77)	3.67
Contributions towards Previous Years NDR (Surplus)/Deficit:			
Southampton City Council	0.70	0.70	0.00
DCLG	0.72	0.72	0.00
Hampshire Fire & Rescue	0.01	0.01	0.00
	1.44	**1.44**	**0.00**
Total Business Rates Income	**(114.01)**	**(110.34)**	**3.67**
Expenditure			
Payment to MHCLG - Transitional Arrangements	2.02	1.87	(0.16)
Payment to MHCLG - Business Rates Retention	0.00	0.00	0.00
SCC Business Rates Retention	104.32	104.32	0.00
Hampshire Fire & Rescue Precept	1.05	1.05	0.00
Interest on Overpayments	0.00	0.00	0.00
Cost of Collection	0.31	0.31	0.00
	107.71	**107.55**	**(0.16)**
Bad and Doubtful Debts:			
Write Offs	2.31	4.03	1.72
Provisions	0.00	(1.24)	(1.24)
Appeals Provisions	5.43	0.43	(4.99)
	7.74	**3.23**	**(4.51)**
Total Business Rates Expenditure	**115.45**	**110.78**	**(4.66)**
Business Rates Deficit/(Surplus) for the Year	**1.44**	**0.44**	**(0.99)**
Business Rates Deficit/(Surplus) Brought Forward	(1.44)	(3.54)	(2.11)
Business Rates Deficit/(Surplus) Carried Forward	**0.00**	**(3.10)**	**(3.10)**
Total Collection Fund (Surplus)/Deficit	**0.00**	**(5.48)**	**(5.48)**
Council Tax (Surplus)/Deficit			
Contribution (to)/ from SCC		(2.05)	
Contribution (to)/ from HPA		(0.24)	
Contribution (to)/ from F&RS		(0.09)	
Council Tax Collection Fund Balance c/f		(2.39)	
NDR (Surplus)/Deficit			
Contribution (to)/ from SCC		(1.30)	
Contribution (to)/ from DCLG		(1.77)	
Contribution (to)/ from HF&R		(0.03)	
NDR Collection Fund Balance c/f		(3.10)	
Additional SCC Surplus		**(3.35)**	

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DECISION-MAKER:		**CABINET**			
SUBJECT:		**SOUTHAMPTON LIVING WELL SERVICE**			
DATE OF DECISION:		**19 FEBRUARY 2019**			
REPORT OF:		**LEADER, CLEAN GROWTH AND DEVELOPMENT**			
CONTACT DETAILS					
AUTHOR:	**Name:**	ADRIAN LITTLEMORE		Tel:	023 8029 6022
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

Southampton Living Well Service was procured on 1 April 2018 to modernise older person's day care in the city. Social Care in Action (SCiA) in partnership with Southampton Age UK is providing the service. This paper is seeking permission to exit a lease agreement for an existing day care property (the Brook Centre) which is no longer fit for purpose for the new service model, enabling this property to be used for the development of supported living accommodation for people with learning disability and alternative, more community based, facilities to be identified on the East of Southampton for use by the Southampton Living Well Service as a Community Wellbeing Centre. This will in turn:

- facilitate implementation of a more strengths based model of day activities which supports the new ways of working in Adult Social Care thereby increasing choice for residents at the same time as reducing need and demand on statutory services;
- expand provision on the East of Southampton which is currently limited by a shortage of accommodation owing to the Brook Centre not being usable;
- and realise the step down of three clients with learning disabilities into more independent living arrangements.

RECOMMENDATIONS:

	(i)	To approve the exit of the lease with Saxon Weald Housing Association for the Brook Centre (day care accommodation) and delegate authority to the Director of Quality and Integration following consultation with the Leader, the Service Lead: Capital Assets and Director of Legal and Governance, to take all necessary steps to terminate the current lease arrangement.
	(ii)	To delegate authority to the Director of Quality and Integration, in consultation with the Director of Legal and Governance, to enter into a legal agreement with Saxon Weald Housing Association in order to make a financial contribution of up to a maximum of £190,000 from the improved Better Care Fund (IBCF) grant (which has been earmarked for this purpose) in the form of a grant towards the costs of converting the property into two self-contained flats and that

		subject to a grant condition they be used for Council clients with learning disabilities.
	(iii)	To delegate authority to the Director of Quality and Integration, in consultation with the Director of Legal and Governance, to take all necessary steps to enter into a Nomination and Void Agreement with Saxon Weald Housing Association, on completion of the conversion works, for the use of the flats.
	(iv)	To delegate authority to the Director of Quality and Integration, in consultation with the Service Lead: Capital Assets and the Council's Procurement Services, to take the necessary steps to appoint a property consultant to develop an estates plan for the establishment of Community Wellbeing Centres across the city and specifically on the East of Southampton (as set out in Section 14).
REASONS FOR REPORT RECOMMENDATIONS		
1.	The vision for the Southampton Living Well Service is to transform Southampton's current traditional day care model to give people more choice and control over the support and services they are able to access, utilising direct payments to offer more personalised forms of care and promote the ethos of early intervention and prevention by developing the market to support more people and maximise the use of community assets. It supports the strengths-based approach to social work practice being implemented by the Council. The new model includes building on existing provisions to develop a number of Community Wellbeing Centres across the city which will provide support and activities, such as dance, yoga, tai chi, chair based exercise, befriending schemes, cooking and eating well, that promote health and wellbeing as well as day care. This vision was approved by Cabinet on 17th October 2017.	
2.	The current estate used by the service does not support this new vision because most of the buildings are part of institutional care establishments, seen by people as being care settings rather than places to engage in valued activities, and because the buildings are not in locations which offer accessible access for the general population (not in district centres or on bus routes). There is therefore a need to consider alternative sites, particularly on the East of the city, and to develop an estates plan to support this.	
3	The Council holds long leases for two of the current premises in the East of the City, one of which (the Brook Centre) has been rendered unusable following a flood in May 2018. Whilst service users (15 in total) have moved to provision in other sites across the city and so continue to receive a service, there remains a gap in provision on the East. There is therefore an urgency to identify and implement suitable premises on the East.	
4	A budget of £210,000 was agreed by the Joint Commissioning Board in February 2018 from the 2017/18 iBCF (Improved Better Care Fund) carry forward to enable the Council to terminate the lease early with Saxon Weald for the Brook Centre, by way of a deed of surrender, and convert the facilities into residential tenancies to rehouse individuals with a learning disability moving out of more expensive placements.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
5.	1. Do not exit the Brook Centre lease and return the Brook Centre to a day	

<table>
<tr><td></td><td>care operational state from which to deliver the Southampton Living Well Service model.
This option has been rejected for the reasons set out in this report. It would not realise the Council’s vision for transforming the historical model of day care from a dependency based model to a strengths based model. It would also limit the number of people able to access the service to the original day care model.
2. Do not exit the lease and use the Brook Centre for other purposes.
The lease costs for the Brook Centre building are very high for community use and so it is not considered cost effective for the Council to use the centre for alternative provision at the current lease cost.
3. Exit the Brook Centre lease but do not stipulate future use of the Brook Centre.
The Council would not be able to guarantee the benefits to be achieved in relation to improved outcomes for people with learning disabilities and potential savings from enabling individuals to move into supported living arrangements that allow them more independence in line with local and national policy.</td></tr>
<tr><td colspan="2">DETAIL (Including consultation carried out)</td></tr>
<tr><td>6.</td><td>Overview</td></tr>
<tr><td></td><td>The Council has commissioned SCiA to implement the Southampton Living Well Service model with a contract for 3 years – April 2018 to March 2021 (with an option for 2 additional years). The model includes the development of a number of Community Wellbeing Centres across the city to provide a focal point to access information, support on a range of issues, including health conditions, educational and leisure activities as well as day care. It is envisaged that the Community Wellbeing Centres will be easily accessible, welcoming and multi-functional with the following features:
• Situated in District Shopping Centres, adjacent to other services/facilities
• Close to bus routes, near bus stop as users may have difficulty walking or standing for long periods (bus shelters/waiting areas)
• Open access/drop in
• Welcome/reception desk to pay for activities/care
• Information display areas
• Pick up / drop off area outside
• Wheelchair accessible
• Changing places and disabled toilets
• High levels of natural light
• Variable heating/air-conditioning in each room
• Dementia friendly environment
• Café for public use
• Kitchen area for semi use by customers (involvement in food preparation and cooking)
• IT suite/wifi accessible throughout building</td></tr>
<tr><td>7.</td><td>The current day care provision operates from a number of properties across the city many of which do not meet the criteria above. It was always the</td></tr>
</table>

	intention to work with the new provider, once the Southampton Living Well Service had been procured, to identify more appropriate premises for the Community Wellbeing Centres.
	Brook Centre Proposal
8.	The Brook Centre, Bitterne, for which the Council holds a 25 year lease from Saxon Weald Housing Association (£33,400 rent, £4,700 business rates and £740 service charge per annum) with no exit clause, was originally developed in August 2008 as part of an extra care scheme development managed by Saxon Weald Housing Association in the Bitterne area of the city. It has been used as a day centre since 2008 by SCiA as both the previous provider of the Council's Older person's day care contract and now as the incumbent provider of the new Southampton Living Well contract. The rent for this accommodation is very high in the market place for community use and more reflective of office space in a prime location. It equates to £478,733 for the full period up to lease expiry in 2033 plus an additional £67,367 for rates (based on the current figure) and £10,607 service charge. The property has permitted use for a day centre for elderly people and other people in need of care, within Class D1 of the Town and Country Planning Use Classes Order 1987. The building however does not lend itself well to provision of a Community Wellbeing Centre as described in Section 6 for the following reasons: • It is a single room • It is situated in a residential area of the City with no neighbouring local amenities, not in a district centre • There is no local bus service • The annual cost of the lease is high The building was then flooded in May 2018 which has rendered it unusable since.
9.	As the current Brook Centre accommodation is not suited to the proposals for a Community Wellbeing Centre, discussions had already commenced with Saxon Weald prior to the flood and prior to the procurement of the Southampton Living Well Service about potential exit from the lease. Advice was sought from the Council's Capital Assets team on options for terminating the lease early and the only realistic option was identified to be a negotiated early surrender (on the basis that the only other options - assignment or sub-letting to another party - would be difficult to achieve owing to the high cost of rent). With an early surrender, negotiations would normally include discussions about a payment of a discounted up front sum to compensate the landlord for outgoings and, in this case, negotiations have been around provision of funding to Saxon Weald to redevelop the property into 2 self-contained flats (one single and one double) to re-house 3 people with learning disabilities. This would have the additional benefit of enabling the Council to step down clients who are able to move from higher levels of care to more independent living. The flats would be additional to two existing flats for adults with learning disabilities on the first floor of the building. As owner of the property, Saxon Weald would lead on the conversion.
10.	On completion of the conversion works, the Council would enter into a Void and Nomination Agreement with Saxon Weald for the two flats. This would give the council guaranteed access and rights to 'nominate' tenants to

	occupy the flats, in return for accepting liability for void costs, guaranteeing payment of rent to Saxon Weald as the Registered Provider of the housing.
11.	Saxon Weald has appointed an architect to design the flats, produce plans for a planning application and provide an estimate of cost for conversion. A planning application for change of use was submitted in November 2018. The outcome of this planning application is outstanding at the time of this report.
12.	Saxon Weald has provided an estimated cost to convert the Brook Centre to self-contained flats of £210,000 (including VAT), which was badged against the iBCF in 2017/18 and carried forward into 2018/19. This however was prior to the flood in May 2018 and, since then Saxon Weald has negotiated with their insurers a partial cash settlement and agreed that some of this can be used towards the conversion costs, thereby reducing the £210,000 to a maximum of £190,000.
	Other Community Wellbeing Centres
13.	Building on the brief outlined in Section 6, there is now a need to develop an estates plan for the development of the Community Wellbeing Centres, initially prioritising the East of the City, which would involve the following: • Working with current and potential users of the service and the wider community, commissioners and providers to further refine the accommodation brief • Exploring the potential for integrating other service offers into any future building solutions e.g. libraries, health care, information & advice, voluntary sector services • Undertaking a site search and feasibility study to identify appropriate premises in each part of the city. The plan is to have one or two Community Wellbeing Centres in each locality (therefore 3-6 city wide), the exact number depending on the outcome of the work described above with current and potential users of the service, partners, providers and the wider community.
14.	In order to develop the estates plan and take forward the work described above, it is proposed to commission an external property consultancy. Initial discussions with one property consultancy have taken place, who have provided a quote of approx. £15,000 (excluding VAT).
	Consultation
15.	Extensive engagement took place with service users and carers of the Southampton Living Well Service prior to the procurement (Summer of 2017). Building on this, service users, carers and the wider community will be engaged in the development of the estates strategy for the Service and any future new venues, including the future location of a Community Wellbeing Centre on the East of the City.
RESOURCE IMPLICATIONS	
Revenue	
16.	

	Per Annum	Remaining on Lease *
Current Lease costs		

	Rent	£33,400	£478,733
	Business Rates (based on current costs)	£4,700	£67,367
	Service Rates	£740	£10,607
		£38,840	**£556,707**
	Funding from the Improved Better Care Fund		
	Contribution to Saxon Weald	£190,000	
	Property Consultant	£15,000	
		£205,000	
	* Based on outstanding payments April 2019 to July 2033		
17.	Saxon Weald has provided an estimated cost to convert the Brook Centre to self-contained flats of £210,000 (including VAT). This funding was already allocated from the iBCF in 2017/18 and carried forward into 2018/19. Funding would be offered by the Council in the form of a grant agreement.		
18.	This figure of £210,000 will now be reduced as Saxon Weald has negotiated with their insurers a partial cash settlement and agreed that some of this can be used towards the conversion costs. The exact amount of this partial cash settlement is not yet known but will reduce the conversion costs to a maximum of £190,000.		
19.	The financial contribution of up to of £190,000 towards the conversion costs, plus the cost of appointing a property consultant of up to £15,000 (excluding VAT) to develop the estates plan for the Community Wellbeing Centres, will come from the of £210,000 budget already identified for this purpose in the iBCF.		
20.	The Council is intending to enter into a void and nominations agreement with Saxon Weald. Saxon Weald will rent the properties to individuals with a learning disability nominated by the Council. The weekly rent for the 2 bedroom flat will be £114.31 and for the 1 bedroom flat £91.10 in addition there will be a service charge of £185 per quarter. The tenants will claim housing benefit to cover these costs. However if a flat was vacant for a period outside agreed limits then the council would be liable for the rent and service charge costs. Based on the rent and service charges, the worst case scenario would be £11,421 per annum equating to £285,533 over 25 years. However a more realistic risk based on current void rates of 8% for similar properties would be £22,843 over the 25 year period. Further details can be found in Section 29.		
Property/Other			
21.	This report proposes the termination of the Brook Centre lease which the Council has with Saxon Weald.		
22.	There are no staffing implications linked to the proposals in this report. All staff involved in the delivery of the Southampton Living Well Service are employed by SCiA and staff who were currently based at the Brook Centre have been relocated to other day centre provision within the service.		
LEGAL IMPLICATIONS			

Statutory power to undertake proposals in the report:	
23.	S.1 Localism Act 2011 permits a council to do anything required to deliver its statutory functions provided any other statutory restrictions on the use of its powers are complied with (including financial and procurement controls etc.) or not otherwise prohibited.
Other Legal Implications:	
24.	The detailed equality impact considerations required to be considered in accordance with the Equalities Act 2010 are set out in the EISA included within this paper to inform decision makers. The proposals are subject to compliance with Financial and Contract Procedure Rules on spend and procurement of services.
25.	Early advice has been taken on whether the ending of the Brook Centre lease prematurely, which is brought about by the payment of the grant towards the build costs of the conversion to flats, would attract stamp duty land tax (SDLT) and whether such payment if made by a separate agreement rather than the deed of surrender could be viewed by HMRC as circumventing that payment. It has been concluded that a reverse premium (paid by the Tenant to the Landlord) for surrendering a lease does not count as chargeable consideration and does not attract SDLT. That being the case, the Council is free to conclude the surrender of the lease at a nil value and make the payment towards the conversion costs by way of the funding agreement described in this report which can contain obligations on the landowner to develop the site in the desired way in return for nomination rights.
26.	Further consideration has been given as to whether the payment of up to £190,000 to the landowner to develop the site in return for nomination rights constitutes procurement activity, and whether that would bind the Council to procuring this under the Public Contract Regulations 2015. Advice suggests that this does constitute procurement activity, however, it is Works activity for the purposes of the Public Contract Regulations 2015, for which the threshold is £4,551,413. Since the value is below that threshold the Public Contract Regulations 2015 would not apply to this spend, but the Council should still be mindful of its own internal Contract Procedure Rules in entering in to this agreement, and if necessary seek to obtain an internal exemption to normal procurement processes to facilitate this arrangement (which is permitted under the Council's exemption process).
CONFLICT OF INTEREST IMPLICATIOINS	
27.	None
RISK MANAGEMENT IMPLICATIONS	
28.	

	Risks	**Mitigating Action**
1	Risk of challenge from service users and carers.	The Council with SCiA will engage service users in the development of the Living Well Service. The development of the future estates strategy for the Living Well Service and specifically an alternative site on the East of Southampton for service users who would have

			used the Brook Centre in the past will involve strong engagement of service users.
	2	Planning permission may not be granted for change of use of the Brook Centre from day care to residential use	Alternative options are being explored such as nursery facilities.
	3	Future flood risk may impact on future plans for the Brook Centre	Saxon Weald are undertaking a flood risk assessment as part of the planning application and working with SCC Highways department to mitigate future risk
	4	Potential financial risk associated with the void and nomination agreement for the two flats, should these remain empty	See below Section 29.

29\. Entering into a void and nomination agreement commits the Council to potential financial liability and risk for the duration of the agreement, which is typically 25 years. In the case of the two flats it is estimated that the worst case financial risk to the Council would be £285,533 pa over a period of 25 years based on all units being void at all times. However, the likelihood of such a risk is very low as liabilities are only realised when voids occur and there are a number of factors which will mitigate against this occurring:

- Significant progress has been made in improving the council's management of void properties by the Integrated Commissioning Unit's Placement Service with average void rates now sitting at 8%. The council currently has 10 void and nomination agreements. These agreements cover 40 units of accommodation across the city with an associated potential liability of £245,000 per annum (based on the assumption that all units are void at all times). However, in practice, these potential void liabilities are never realised. Total void expenditure over the last 3 financial years against existing void and nomination agreements is £160,000.
- There is on-going need and demand for Supported Living schemes. The increased use of housing with care is a key deliverable within ICU work plans and a priority for Adult Care. It is central to the Council's savings programmes and meets a number of strategic drivers, meaning demand will grow over time, further reducing the risk of voids in the longer term.
- Void and nomination agreements typically include a void free period, commonly 90 days.
- Three people with learning disabilities have already been identified who would be suitable for the flats.

Based on an 8% void rate, the more realistic financial risk to the Council associated with the void and nomination agreement for the two flats would therefore be £22,843 over the 25 year period.

POLICY FRAMEWORK IMPLICATIONS

30.	The recommendations in this paper support the delivery of outcomes in the Council Strategy. They also contribute to the City Strategy and the Health and Wellbeing strategy. The proposals particularly support the following priority outcomes in the Council Strategy: • People in Southampton live safe, healthy and independent lives

KEY DECISION?	**Yes**
WARDS/COMMUNITIES AFFECTED:	**All**

SUPPORTING DOCUMENTATION

Appendices

1.	None
2.	

Documents In Members' Rooms

1.	ESIA
2.	

Equality Impact Assessment

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

Privacy Impact Assessment

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

Other Background Documents
Other Background documents available for inspection at:

	Title of Background Paper(s)	**Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)**
1.		
2.		

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DECISION-MAKER:		**CABINET** **COUNCIL**			
SUBJECT:		**THE REVISED MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2019/20 to 2022/23**			
DATE OF DECISION:		**19 FEBRUARY 2019 (Cabinet)** **20 FEBRUARY 2019 (Council)**			
REPORT OF:		**CABINET MEMBER FOR FINANCE AND CUSTOMER EXPERIENCE**			
CONTACT DETAILS					
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STATEMENT OF CONFIDENTIALITY

N/A

EXECUTIVE SUMMARY

This report details the Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2022/23 and provides detail to inform Council in setting Council Tax and rents for 2019/20.

Outcome Based Planning and Budgeting (OBPB) has been further progressed, following its implementation in 2017/18, and continues to allow the council to focus and utilise resources towards agreed priorities and outcomes. A further element has been introduced in the 2019/20 budget setting process to incorporate business academies, and begin to embed commercialisation across the Council. This gives certainty to residents, businesses and service users that service provision has been prioritised and funded for 2019/20, within a stable financial framework.

The OBPB process will be further reviewed and refined in 2019/20 to ensure that the budget gap in 2020/21 and future years can be mitigated.

The objective of the MTFS is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's outcomes.

The Strategy is based around 6 key aims:

- To provide financial parameters within which budget and service planning should take place;
- To ensure the council sets a balanced budget;
- To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources, ensuring services are defined on the basis of a clear alignment between priority and affordability;

- To ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- To plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst gradually reducing the council's reliance on Central Government funding; and
- To ensure that the council's long term financial health and viability remain sound.

Draft budget proposals were considered by Cabinet in October 2018, prior to commencement of full consultation with a range of stakeholders. This report includes the analysis on consultation feedback, which has been considered by the Cabinet, to enable the finalisation of the budget proposals included within this report for recommendation by Cabinet to Council on 20th February 2019 when it will set the budget. Equality and Safety Impact assessments have also been amended in light of the consultation feedback.

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

- An amendment to the proposed saving to close residential care homes. Following consultation feedback and further consideration by officers and members, the proposal in principle is to close Glen Lee, and make more efficient use of Holcroft House subject to staff consultation and a further report to Cabinet to make a final decision. This is further detailed in Document in Members Room 4.
- Two elements of the Adult Social Care Charging Policy proposals will not be implemented i.e. an annual fee to administer a Deferred Payment Agreement will not be levied; and the proposal to remove the exemptions given to previous clients of the Locally Based Hospital Units (LBHU) for non-residential care charges will not be implemented. Further detail is included in Document in Members Room 5.

Additionally, as a result of changes in service requirements, demand and unachieved savings, the report identifies the new pressures that impact on the General Fund in 2019/20 and the proposals to fund those additional pressures. In regard to the HRA, the report makes recommendations in relation to rents, service charges, and other charges to council tenants, and leaseholders, from 1st April 2019 for the 2019/20 financial year.

The report summarises the Housing Revenue Account (HRA) 30 year Business Plan and the assumptions behind it, including details of savings proposals recommended to close the HRA budget gap.

The Government announced its latest budget assumptions in the Autumn Statement on 29th October 2018. The implications of these announcements, along with the Local Government Finance Settlement (LGFS) have been included within the updated MTFS and budget position, along with an update on the impact of other national and local factors such as leaving the European Union and the changed assumptions in relation to Business Rate Retention (BRR).

The Ministry of Housing, Communities & Local Government (MHCLG) announced on the 13th December that Southampton City Council, along with Portsmouth City Council and Isle of Wight Council, had been successful in a joint bid to be a Pilot for 75% Business Rates Retention in 2019/20, and to continue the Solent Authorities Business Rates Pool.

The impact of the latest capital programme and Capital Strategy, are also included in the MTFS, with the detail reported in the General Fund & Housing Revenue Account Capital Strategy & programme 2018/19 to 2022/23. This has been updated for changes as recommended by the Council Capital Board.

The MTFS is supported by the approved Efficiency Plan for the council, which was a requirement of accepting the 4 year settlement offer. This has been updated and is included as an annex to the MTFS.		
RECOMMENDATIONS:		
CABINET		
General Fund		
	i)	Note the position on the forecast adverse outturn position for 2019/20 as set out in paragraphs 31 to 38.
	ii)	Note the revised Medium Term Financial Strategy 2019/20 to 2022/23 as detailed in Appendix 2.
	iii)	Note the aims and objectives of the Medium Term Financial Strategy which will be presented to council for approval on 20 February 2019.
	iv)	Note that formal budget consultation began on 24th October 2018 and ended on 16th January 2019. The outcome of the consultation in outlined in paragraphs 151 to 155.
	v)	To approve in principle the proposal for the closure of Glen Lee Residential Care Home, subject to formal staff consultation and a further report to Cabinet to make a final decision.
	vi)	To approve the Adult Social Care Charging Policy as amended following consultation as detailed in Members Room Document 5.
	vii)	Note that the Executive's budget proposals will impact on staffing and that consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented. The savings proposals set out in Appendix 1 propose the deletion of 87.31 Full Time Equivalent (FTE) posts, of which 18.33 FTE are vacant, leaving 68.98 FTE at risk of redundancy or TUPE transfer.
	viii)	Note that the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes a council tax increase of 2.99%, allowable under general powers to increase council tax without a referendum.
	ix)	To note that the report identifies additional general fund pressures totalling £17.71M in 2019/2020 as detailed in paragraphs 42 and 55.
	x)	To note that further proposals will need to be considered to address the 2020/21 and future years budget gap.
	xi)	Notes and recommends to Council to approve a change in the Council Tax – Empty Property Premium as noted in paragraphs 72 to 75.
	xii)	Notes and recommends to council where appropriate, the MTFS and General Fund Revenue Budget changes as set out in council recommendations i) to xxi).
Housing Revenue Account		
	xiii)	To note that, from 1st April 2019, a standard decrease be applied to all dwelling rents of 1.0%, as set out in paragraph 117 of this report, equivalent to an average decrease of £0.84 per week in the current average weekly dwelling rent figure of £84.39. This will be the final year of the required decreases.

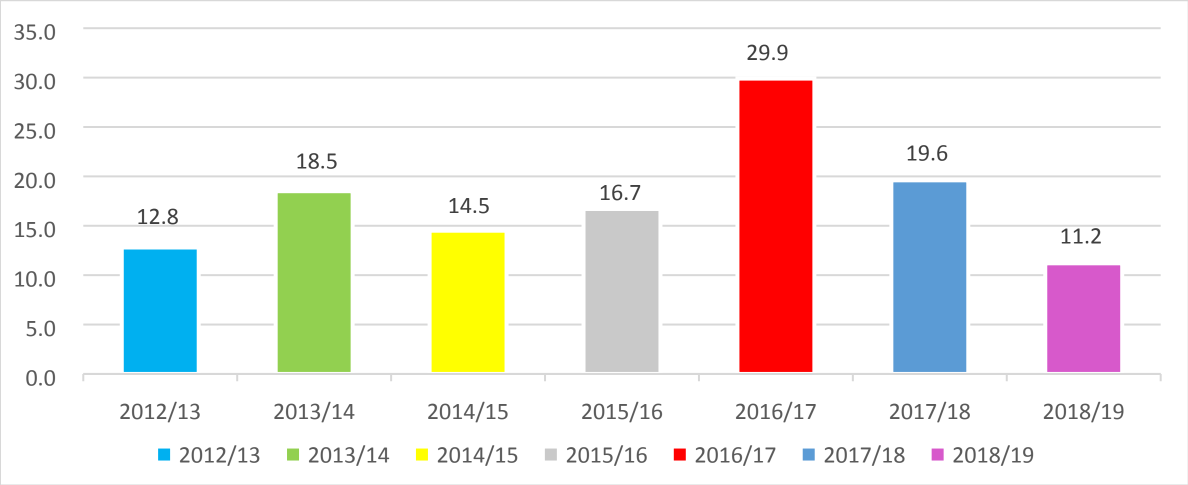
	xiv)	To note an increase in weekly service charges as detailed in paragraph 118 from 1st April 2019 (including supported accommodation).
	xv)	To note savings totalling of £3.15M in 2019/20 as detailed in paragraph 120.
	xvi)	To note and recommend the Housing Revenue Account Revenue Estimates as set out in the report.
	xvii)	To note the 30 year Business Plans for revenue and capital expenditure set out in Appendices 7 and 8 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
	xviii)	To note that 2019/20 is a 53 week rent year and that rental income and service charge payments will be paid by tenants in 49 instalments across this period.
COUNCIL		
General Fund		
	i)	Notes the general budget consultation process that was followed as detailed in paragraphs 151 to 155.
	ii)	Notes that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals. Further details are contained within the Members Room document 3.
	iii)	Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 161 to 164. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members Room, documents 1 and 2.
	iv)	Note the position on the forecast adverse outturn position for 2018/19 as set out in paragraphs 31 to 38.
	v)	Approves the revised Medium Term Financial Strategy (MTFS) for the period 2019/20 to 2022/23 attached as Appendix 2.
	vi)	Approve the General Fund Revenue Budget as detailed in Annex 1 of the MTFS in Appendix 2.
	vii)	Approves the revised proposals (following consultation) which reduce cost and generate income that amount to £6.77M in 2019/20 increasing to £10.93M in 2020/21. These proposals are detailed in paragraphs 44, 56 and 57 and in the Outcome Plan Appendices in Appendix 1.
	viii)	Note that the Executive's budget proposals will impact on staffing and that consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented. The savings proposals set out in Appendix 1 propose the deletion of 87.31 Full Time Equivalent (FTE) posts, of which 18.33 FTE are vacant, leaving 68.98 FTE at risk of redundancy or TUPE transfer.
	ix)	Notes that the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes a council tax increase of 2.99%, allowable under general powers to increase council tax without a referendum.
	x)	Approves additional general fund pressures totalling £17.71M in 2019/20 as detailed in paragraphs 42 and 55.
	xi)	Approves a change in the Council Tax – Empty Property Premium as noted in paragraphs 72 to 75.

	xii)	To delegate authority to the Service Director – Finance & Commercialisation (S151 Officer), following consultation with the Cabinet Member for Finance and Customer Experience, to do anything necessary to give effect to the proposals contained in this report.
	xiii)	Sets the Council Tax Requirement for 2019/20 at £99.75M as per Appendix 3.
	xiv)	Notes the estimates of precepts on the council tax collection fund for 2019/20 as set out in Appendix 4.
	xv)	Delegates authority to the Service Director – Finance & Commercialisation (S151 Officer) to implement any variation to the overall council tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
Housing Revenue Account		
	xvi)	Approves that, from 1st April 2019, a standard decrease be applied to all dwelling rents of 1.0%, as set out in paragraph 117 of this report, equivalent to an average decrease of £0.84 per week in the current average weekly dwelling rent figure of £84.39. This will be the final year of the required decreases.
	xvii)	Approve an increase in weekly service charges as detailed in paragraph 118 from 1st April 2019 (including supported accommodation).
	xviii)	Approve savings totalling of £3.15M in 2019/20 as detailed in paragraph 120.
	xix)	Approves the Housing Revenue Account Revenue Estimates as set out in the report.
	xx)	Approves the 30 year Business Plans for revenue and capital expenditure set out in Appendices 7 and 8 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
	xxi)	To note that 2019/20 is a 53 week rent year and that rental income and service charge payments will be paid by tenants in 49 instalments across this period.
REASONS FOR REPORT RECOMMENDATIONS		
1.	The council is a large and complex organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial opportunities and challenges and that they make informed decisions. The council regularly revises its MTFS so that the financial position is clear for budget proposals to be drawn up for the forthcoming year.	
2.	The council has implemented a focused approach on Outcomes Based Planning and Budgeting which looks at utilising decreasing resources towards agreed priorities and outcomes.	
3.	The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to full council. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to full council.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		

4.	Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the council budget setting meeting on 20th February 2019.
5.	Part of setting the General Fund Budget and Medium Term Financial Strategy and Model, requires a view to be taken on the revenue cost of capital to the Council and proposals have been considered by the council's Capital Board in order to ensure the most appropriate use of capital resources in meeting the council's desired outcomes and the Executive commitments. A Capital Strategy and Programme Update report is included elsewhere on the agenda, and the latest position is included in the MTFS Model.
6.	This report sets out the HRA revenue budgets for 2019/20 and the 30 year HRA business plan covering the period 2019/20 to 2048/49. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2019/20.
7.	Additional alternative options identified in relation to the Care Home, Adult Social Care Charging Policy and HRA Service Charges proposals are set out in full in the Document in Members Rooms relating to each of these proposals respectively.
DETAIL (Including consultation carried out)	
	BACKGROUND
8.	Each financial year the council is required to set the level of council tax for the residents of Southampton. In doing this the council reviews its Medium Term Financial Strategy to ensure we are still on track to achieve a balanced position and are aware of the required efficiencies in future years.
9.	Since 2011/12 the council has faced year on year reductions in government grants, of which the Revenue Support Grant (RSG) was a significant source of income. The current MTFS assumptions were based on Central Government Funding proposals pre the General Election in June 2017. Under those proposals the intention was to radically change the way local authorities are funded by moving to full 100% business rate retention and phasing out the Revenue Support Grant by 2020. Alongside this there would be additional responsibilities for local government to ensure the move is fiscally neutral to central government plans. Business rates and council tax will then be the main source of income to fund general fund council services.
10.	The proposed changes to the business rate retention required primary legislation amendments and was incorporated into the Local Government Finance Bill 2017. However, the bill was not ratified following the General Election with the focus now being on negotiations for leaving the European Union. However, there is ministerial support to continue working towards to 100% Business Rate Retention and reviewing relative needs via a Fair Funding Formula. Further detail is included in paragraphs 19 to 21.
11.	The Provisional Local Government Finance Settlement, issued on 13th December 2018, has indicated that there will be a move to 75% business rate retention in the medium term from 2020 onwards although this has not been reflected in the MTFS update at this time. The MTFS will be updated as further details are confirmed but is expected to be fiscally neutral.
12.	A 75% Business Rate Retention Pilot bid was submitted to the MHCLG on the 25th September 2018 for the Solent Region. This included the forming of a business rates pool arrangement comprising of Southampton City Council, Portsmouth City Council and the Isle of Wight Council. The MHCLG confirmed on the 13th December 2018 that the bid has been successful.

The Pilot bid covers the financial year 2019/20 only. This has been factored into the updated MTFS and further details are included in paragraphs 19 to 21.

13. Over the last 6 years the council has approved savings of £123.2M but to be sustainable in the future will require us to continue to change, reduce, stop and in some cases, develop new services. The amount of savings per year is shown in the following graph:



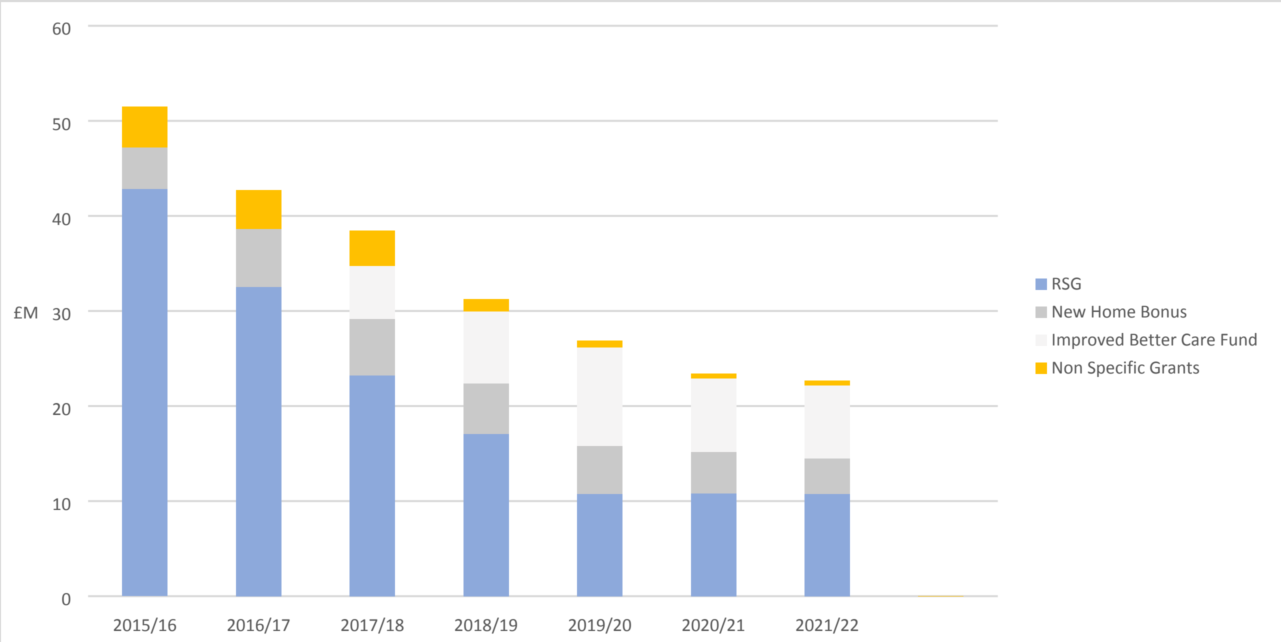
14. The MTFS, approved by Council in February 2017, introduced a different approach to financial management, with the aim of aligning delivery of the Executive's key outcomes (described in the Council Strategy 2016-20) with affordability. This aims to help the council to invest its reducing resources in activities that have the greatest impact on the delivery of priority outcomes. The council also wants to achieve better outcomes for all residents by improving quality and performance, managing demand of its high cost services and becoming more commercial. Therefore financial plans were drawn up on the basis of the four main outcomes and these are supported by an internal plan to enable the council to become a modern and sustainable organisation.

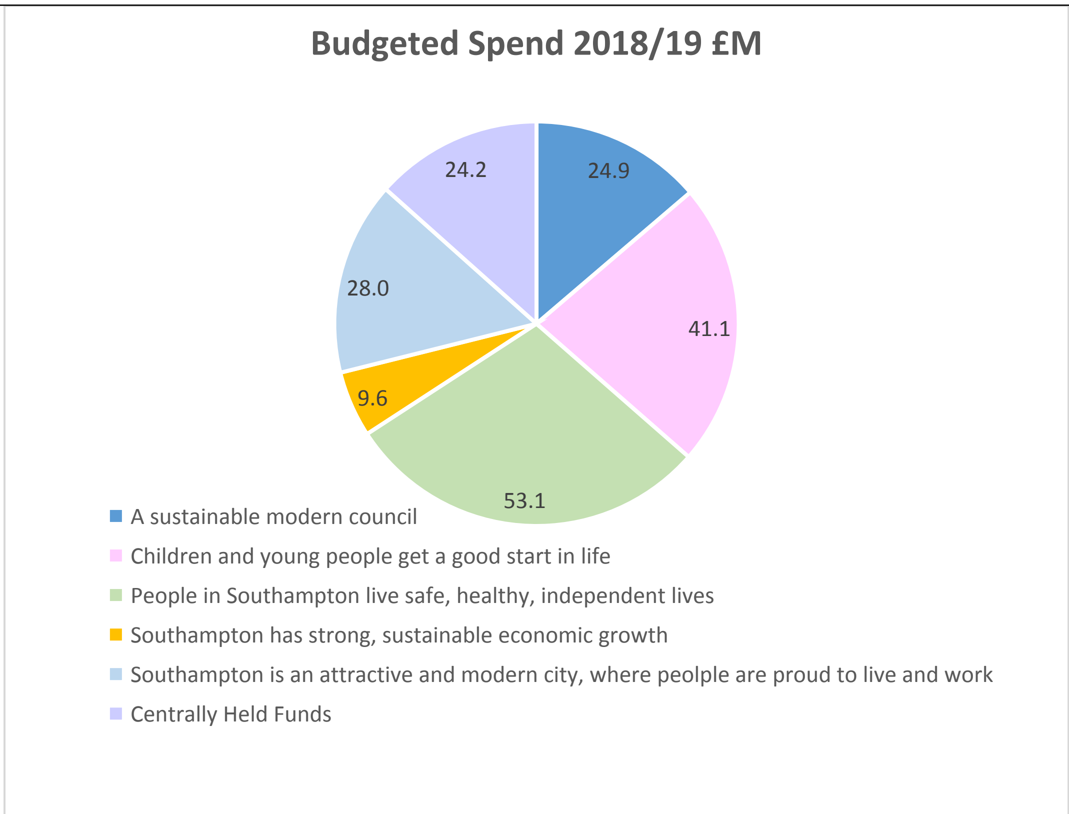
15. In September 2016, the council approved the Southampton City Council Strategy 2016-20. The Strategy sets out the council's strategic vision until 2020 and has four key outcomes, along with an internal outcome, which are:

16. The outcome plans were approved by Council in July 2018. Appendix 1 contains the updated financial summaries for each of the outcomes.

17. Local government has had to evolve significantly in response to ongoing changes in the city's profile, trends in customer behaviour driven by technology, national and local policies and the austerity challenges. For us this is accompanied by ongoing challenges in the shape of managing demand in adults and children's social care.

Chart 1 below shows how the government funding to the council has reduced and the projection is that by 2020 the Government is expecting councils to become financially

	independent through business rates and council tax which will replace government grants as our main sources of income.
18.	As a result we have added demand management strategies for social care to the MTFS as detailed in annexes 3 and 4 of Appendix 2.
	<u>Chart 1 – Government Funding Reductions</u>  For comparison purposes 2018/19 & 2019/20 still contain the RSG the council would have received without the Business Rates Retention Pilot.
	<u>BUSINESS RATES POOL AND 75% BUSINESS RATES RETENTION PILOT</u>
19.	Following a successful application to the MHCLG Southampton will be a 75% Business Rate Retention pilot and will remain as part of the Solent Pool. As a result the Council will forgo Revenue Support Grant and continue to pay a business rates tariff rather than receive a top up. All implications of this have been included in the MTFS.
20.	The governance arrangement will be unchanged from the current pilot arrangements with a Board consisting of the three council leaders, giving opportunity for the 3 councils to retain half of the government's share of business rates growth and invest this in services, financial stability and sustainable, and reinvesting in promoting further growth in the city.
21.	The council's financial benefit from any growth from 2019/20 pilot will not impact until 2020/21. This is expected to be in the region of £2.0M and has been included in the financial position within this report for 2020/21 only due to the business rates pilot being one year only at the present time.
	<u>MEDIUM TERM FINANCIAL STRATEGY AND MODEL</u>
22.	The council currently spends £610M delivering services and funds this from income from central government grants, council tax, business rates, rents, and other fees and charges. Two areas of income we receive (Schools grants and Benefits payments) are passed directly from the council to the Schools and Benefits recipients, and the Rents we get from Housing tenants must only be spent on providing council housing services. The rest of the council's income (£239M) is included in the General Fund and is used to fund all other services.
23.	Chart 2 below shows how this is spent over the approved Outcomes. <u>Chart 2 – Budgeted Spend Per Outcome 2018/19</u>



24. Council approved a 5 year MTFS in February 2018, the objective of which is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's priority outcomes.

25. There are 6 key aims of the Strategy:

- To provide financial parameters within which budget and service planning should take place;
- To ensure the council sets a balanced budget;
- To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability;
- To ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- To plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priority whilst gradually reducing the council's reliance on Central Government funding; and
- To ensure that the council's long term financial health and viability remain sound.

26. The updated MTFS focuses on determining the financial position for the period up to and including 2022/23. However the financial position post 2019/20 becomes more uncertain as this is post the current Comprehensive Spending Review period, and when 75% Business Rates Retention and Fair Funding Formula should come into effect. The MTFS takes into account major issues affecting the council's finances, including international, national and regional economic influences as well as local factors and priorities. It identifies risks and opportunities and looks to mitigate the risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk. It provides the framework and assumptions for developing the overall budget, taking into account any agreed, unavoidable service pressures. The MTFS recognises the key role

	that financial resources play in the future delivery of services, and enabling the effective planning, management and delivery of those services. The MTFS is therefore key to the effective delivery of the council's overall aims of achieving better outcomes for residents in a financially sustainable way.
27.	The budget proposals contained within this report seek to increase council tax by 2.99% which (based on 2018/19) represents £0.86 per week for residents in a Band D property but will help the council to continue to deliver services that matter most to residents.
28.	In February 2018 the forecast financial position was a budget gap of £6.95M for 2019/20 and a £14.10M budget gap for 2020/21 as set out in Table 1 below.

Table 1 Gap in funding

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M
Net Revenue Expenditure	180.88	185.26	196.18	196.28
Funding Available	(180.88)	(178.31)	(182.08)	(185.35)
Net Saving Requirement as at Feb 2018	**0.00**	**6.95**	**14.10**	**10.94**

29.	Since February 2018 the MTFS has been reviewed and updated to include pressures and benefits that have arisen in that time. The following sections describe the detail of the items that have been taken into account in revised the Medium Term Financial position.
	ISSUES THAT HAVE BEEN CONSIDERED
30.	The MTFS has been reviewed to take into account the following: • The current forecast outturn position for 2018/19 including potential ongoing non-achievement of approved savings; • A review of pressures facing the council; and • A review of base budget assumptions such as pay and inflation assumptions. • The Provisional Local Government Finance Settlement (PLGFS) - The Government announced its latest assumptions in the Autumn Budget on 29th October 2018. The implications of these announcements, along with the Provisional Local Government Finance Settlement have been included within the updated MTFS and budget position contained within this report, along with an update on the impact of other national and local factors such as Brexit and the updated Business Rate Retention (BRR) assumptions.
	<u>2018/19 Forecast Outturn Position</u>
31.	Whilst this report is concerned with an update of the MTFS for the period from 2019/20 onwards, there are elements of the 2018/19 forecast outturn that will have an impact on the overall financial position. The latest position, as at 31st December 2018, is that there is a forecast service underspend against budget of £0.58M.

32.	Table 2 below shows the summary forecast outturn position: **<u>Table 2 – 2018/19 Summary Forecast Outturn Position</u>**

	Forecast Outturn Variance £M	Forecast Outturn Variance %
Baseline Portfolio Total	**7.70 A**	**4.18 A**
Other Expenditure & Income	5.66 F	3.07 F
General Government Grants	2.62 F	1.42 F
Net Underspend	**0.58 F**	**-**

33. The overall forecast overspend on portfolios is £7.70M which has been offset by the release of central funding. This relates to:

- Following a review of central inflation requirements, £2M has been released to help meet the forecast shortfall in both procurement and digital savings;
- Additionally, £0.3M of contingencies have been released to meet additional incinerator outage costs, with a further £3.38M released to meet demand pressures.
- Winter Pressures funding of £1.11M was announced in the Autumn Budget Statement to be received in 2018/19 for use to meet Adult Social Care Pressures.
- Additional Social Care Grant was announced in Spring 2018, this is to be used to offset the Adult Social Care overspend (£0.68M).
- A Business Rate Levy refund has been announced as part of the Provisional Local Government Finance Settlement December 2018 of £0.84M.

34. The key areas of overspend are:

- Adults Portfolio, with a £4.69M forecast overspend;
- Children’s & Families, £2.71M forecast overspend; and
- Aspiration, Schools & Lifelong Learning, £1.31M forecast overspend.

This is further detailed in Table 3 below.

35. It should be noted that as forecast overspends have been identified, the relevant Service Director has been expected to develop an action plan to detail what measures and interventions would be undertaken to manage the pressure. It is expected that the requirement for action plans will continue into 2019/20, with an overarching expectation that pressures arising must be accommodated within the overall service budgets. This has led to significant improvement in the overall forecast position. The following table details how these pressures have been mitigated in 2018/19 and how they have impacted on the 2019/20 proposed estimates:

36. **<u>Table 3 – Impact of 2018/19 Pressures</u>**

Outcome	2018/19 Pressure		How this is being dealt with in the MTFS Model
	Description	£M	
Strong and sustainable economic growth.	Unachieved saving for property rationalisation. Savings have not been realised in the Capital Asset budget in relation to this. It has to date been managed from one-off underspends and increases in income.	1.70	In 2018/19 this is being met from underspends in the Central Repairs and Maintenance budget and an overachievement of income in investment property. In the MTFS from 2019/20 this has been added in as a budget pressure in future years, partially off-set by a compensating increase in the investment property budget to recognise the additional income generated.
Children and young people get a good start in life	Adverse variance in Looked After Children as being unable to meet savings targets due to numbers of high cost LAC children in service.	2.88	This is being addressed through the Children's Demand Strategy developed as part of the business planning process – targeting Residential step downs and preventing children coming into care with locality based model. The ongoing impact has been addressed in the 2019/20 and future years in the MTFS.
Children and young people get a good start in life.	The pressure on Home to School Transport has arisen as a result of increasing demand particularly since 2015 when a change in legislation required the authority to provide transport for children aged 0-25 that have additional educational needs.	1.10	The Service is working on the following plans to address the pressure by; Providing training for independent travel for post 16. Charging for Post 16 Home to School Transport provision. Withdrawing Early Learning Group Home to School transport provision. The ongoing impact has been addressed in the 2019/20 and future years in the MTFS.

Outcome	2018/19 Pressure		How this is being dealt with in the MTFS Model
	Description	**£M**	
Children and young people get a good start in life.	Pressure has arisen in the Jigsaw service due to increasing demand and higher costs of placements. Of these, £0.09M is from increased Direct Payments and £0.26M is for additional residential placements.	0.35	To mitigate this pressure the Service is undertaking case by case reviews to identify opportunities to reduce existing provision where possible and ensuring that new placements are best value and appropriate.
Southampton is an Attractive Modern City where people are proud to live and work	Regulatory Services Cemeteries and Crematorium has a forecast reduction in income since the new crematorium in Romsey opened. A marketing plan is being developed and fee increases are proposed to mitigate this impact.	0.55	A pressure of £0.4M has been built into the MTFS proposals.
Southampton is an Attractive Modern City where people are proud to live and work	Regulatory Services The introduction by government of an online service for Nationality Checks has caused a loss of income to the service as applicants are no longer obliged to take this service from the registration office, resulting in a reduction in income.	0.08	A pressure of £0.08M has been built in to the MTFS to reflect this loss.
Southampton is an Attractive Modern City where people are proud to live and work	Local Authority Trading Company (LATCo) Whilst some of the income generating ideas that were part of the LATCo proposals have been progressed it has not been possible to take forward all the ideas as quickly as originally envisaged. This has created a pressure in 2018/19 and 2019/20, however services that were in phase 1 do go on to achieve more than the original amount allocated to them.	0.33	Pressure built in to MTFS for 2019/20, assumption that income will increase as services become more commercial in the longer term.

Outcome	2018/19 Pressure		How this is being dealt with in the MTFS Model
	Description	**£M**	
Southampton is an Attractive Modern City where people are proud to live and work	<u>Parks and Open Spaces</u> The Council has been working through a significant backlog of essential tree works since the previous contract was brought back in house in April 2017. This has resulted in less ability to focus on income generating work, creating a pressure. The backlog will continue to be addressed throughout 2018/19 and 2019/20.	0.16	Pressure built into the MTFS for 2019/20 only, to reflect expectation that there will be increased focus on income generating activity from 2020/21.
Southampton is an Attractive Modern City where people are proud to live and work	<u>Waste Collection and Disposal</u> A saving proposal regarding the introduction of CCTV was expected to reduce the security costs at the depot however this has not proved realisable.	0.08	A pressure for damage and repair costs has been identified and built in to the MTFS for 2019/20, and is offset through savings arising from AWC on waste disposal contract.
Southampton is an Attractive Modern City where people are proud to live and work	<u>Waste Collection and Disposal</u> Post February Budget report saw a significant change in market values for dry & mixed recyclables, particularly for cardboard and mixed paper commodity. Indications are that market prices are set to continue to decrease due to the uncertainty pertaining to export markets for recyclables, particularly within the fibre markets. Additionally, lower than anticipated take up of income for bins, and the decision to freeze charges for green waste collection have also created a pressure.	0.12	A pressure to reflect reduced income has been built in to the MTFS, and is offset through savings arising from AWC on waste disposal contract.

Outcome	2018/19 Pressure		How this is being dealt with in the MTFS Model
	Description	**£M**	
Southampton is an Attractive Modern City where people are proud to live and work	Waste Collection and Disposal Due to the age of the refuse collection vehicles the cost of repair has increased and with this the cost of hire vehicles.	0.21	A pressure for damage and repair costs has been identified and built in to the MTFS for 2019/20.The Council agreed to the purchase of new vehicles at its meeting in December 2018.
People in Southampton live safe, healthy independent lives.	Residential Homes Residential homes overspend due to a significant increase in the use of temporary staffing at Glen Lee and Holcroft House residential care homes, in order to ensure safe and high quality care.	0.58	The mitigation in future years relates to the proposed future of residential homes savings proposal, including a staff restructure of Holcroft House to improve resilience and reduce the use of agency staff (subject to a separate staff consultation and Cabinet decision) and additional funding of £100k, which has been identified as a pressure.
People in Southampton live safe, healthy independent lives.	Long Term Care Additional demographic demand pressures and resulting unachieved savings for long term care.	4.03	Further reviews currently taking place which could help mitigate overspend for 2019/20. The pressure is split £2.16M for demand and £1.89M for unachieved savings. The Future Adult Social Care demand strategy currently being agreed is expected to arrive at additional savings.
People in Southampton live safe, healthy independent lives.	Unachieved savings on Adult Mental Health & Out Of Hours Services	0.90	Further reviews currently taking place which could help mitigate overspend for 2019/20. The Future Adult Social Care demand strategy currently being agreed is expected to arrive at additional savings.
Total		**13.07**	

37. Where a 2018/19 pressure has been identified as having a longer term impact the financial implications have been included within the updated MTFS position. Details are included

within Table 4 below and the revised financial sections of the Outcome Plans at Appendix 1.

38. Further details on the forecast outturn position for 2018/19 are included within the Revenue Financial Monitoring for the period to the end of December 2018 report to be considered by Cabinet at its meeting on the 19th February 2019.

Medium Term Financial Forecast

39. Table 4 below identifies the changes to the Medium Term Financial Strategy Model as reported to Cabinet in October 2018.

40. Table 4 - MTFS Model

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Budget Gap - February 2018	**0.00**	**6.95**	**14.10**	**10.94**	**10.94**
2018/19 Pressures and Mitigations	5.32	6.16	4.87	4.17	3.93
Future Pressures	0.00	4.85	4.85	6.85	7.85
Savings Proposals	0.00	(6.44)	(10.45)	(10.60)	(10.60)
Review of central resources & Non recurrent funding	0.00	(11.53)	(8.77)	(7.41)	(7.41)
Amended Budget Gap - October 2018	**5.32**	**0.00**	**4.60**	**3.95**	**4.71**

EXPLANATION OF ADJUSTMENTS TO THE REVISED MTFS POSITION

October 2018 Budget Position

41. In October 2018 Cabinet noted a revised Medium Term Financial Position, which presented a balanced position in 2019/20, but amended the savings requirement by 2022/23 to £4.71M. The following paragraphs summarise the reasons for the changes.

October 2018 Pressures

42. Table 5 below shows the total pressures detailed in the Medium Term Financial Strategy Update report to Cabinet in October 2018. This is a combination of pressures arising in 2018/19 which will impact on future years (offset by mitigations), and new pressures arising from 2019/20 and future years. Table 3 in paragraph 36 details the 2018/19 pressures.

Table 5 – Additional Pressures October 2018

Outcome	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Southampton has strong, sustainable economic growth	1.67	1.67	1.67	1.67
Children and young people get a good start in life	4.82	4.04	3.44	3.20
People in Southampton live safe, healthy, independent lives	3.49	3.39	5.39	6.39
Southampton is an attractive and modern city, where people are proud to live and work	0.86	0.46	0.36	0.36
A sustainable modern council	0.16	0.16	0.16	0.16
Total 2018/19 Pressures and New Pressures Arising 2019/20 October 2018	**11.01**	**9.72**	**11.02**	**11.78**

43. Table 6 below summarises the 2019/20 and future years pressures that were identified at that time.

Table 6 – 2019/20 Summary of Pressures Identified October 2018

Outcome	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Children and Young People get a good start in life				
Reduction in agency spend	0.40	0.40	0.40	0.40
Looked After Children Services Provision	2.63	2.63	2.63	2.63
Explore opportunities to integrate QA functions with another council	0.04	0.04	0.04	0.04
Education Psychology - Social Enterprise	0.05	0.05	0.05	0.05
Translation Service increased trading	0.00	0.00	0.00	0.00
Redesign an integrated Early Help service	0.20	0.20	0.20	0.20
People in Southampton lead safe, healthy, independent lives				
Kentish Road respite centre remaining open	0.60	0.60	0.60	0.60
Demographic Pressures	0.00	0.00	2.00	3.00
Southampton is an attractive and modern city where people are proud to live and work				
Invest in Flood Risk Management service to provide resources to enable the priority flood prevention schemes to be delivered	0.07	0.07	0.07	0.07
LATCo Savings	0.55	0.55	0.55	0.55
Southampton is a City with Strong, Sustainable, Economic Growth				
Cultural Trust	0.15	0.15	0.15	0.15
A Modern Sustainable Council				
IIC Social Media Team - enquiries from corporate SCC accounts	0.16	0.16	0.16	0.16
Total Pressures 2019/20 and Future Years	**4.85**	**4.85**	**6.85**	**7.85**

October 2018 Savings

44. Table 7 below summarises the savings identified in October 2018 by Outcome. Where relevant, approval was sought to consult on the proposals the result of which is discussed in paragraphs 151 to 155.

Table 7 – Summary of Savings Identified October 2018

Outcome	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Children and Young People get a good start in life	(1.73)	(2.57)	(2.57)	(2.57)
People in Southampton lead safe , healthy, independent lives	(1.33)	(3.09)	(3.09)	(3.09)
Southampton is an attractive and modern city where people are proud to live and work.	(0.26)	(0.31)	(0.36)	(0.36)
Southampton is a City with Strong, Sustainable, Economic Growth	(1.24)	(1.74)	(1.94)	(1.94)
A Modern Sustainable Council	(1.87)	(2.73)	(2.64)	(2.64)
Total Savings 2019/20 and Future Years	**(6.44)**	**(10.45)**	**(10.60)**	**(10.60)**

45. Full details of each of these pressures and savings can be found in the October 2018 Medium Term Financial Strategy Report. This can be viewed by following the link below, Agenda Item 10. These are also detailed in Appendix 1 within the Outcome Financial Appendices.

Cabinet Report October 2018

Funding Adjustments

46. A review was undertaken of central resources and available non-recurrent funding which could be released to mitigate the above net pressures. This included:

- The utilisation of £2.5M additional business rates generated as a result of the 2018/19 Business Rate Retention Pool Pilot;
- A review of Business Rates and Council Tax Growth;
- £3.3M of Collection Fund surplus reported at the end of 2017/18 which is available to support the 2019/20 position;
- A council tax increase of 2.99%; and
- A review of direct revenue contributions to capital has identified that £1.44M can be released to support the revenue position.

MTFS Adjustments

47. Reduction in Centrally Held Allocations

Held centrally are a number of allocations for inflation, increments, pension changes, redundancy and interest rate rises. This have been reviewed and due to staffing restructures, the low level of inflation and interest over the past year some of this allocation has been released.

Provisional Local Government Finance Settlement

48. The Provisional Local Government Finance Settlement (PLGFS) for 2019/20 was published on the 13th December 2018.

49. This settlement marks the final year of the 4 year settlement that was accepted by Southampton City Council (SCC) along with 97% of local authorities. The main points that impact on the Council were:

- Consultation documents have been published on the next stage of the implementation of further business rates retention and the Fair Funding review, for

- implementation in April 2020. This takes into account the outcome of the consultation on relative needs which took place in early 2018. The deadline for consultation responses is the 21st February 2019;
- Southampton has been accepted as a 75% business rate retention pilot in a pooling arrangement with Portsmouth and the Isle of Wight (The Solent Region Pool), alongside 14 other new pilots;
- £180M of business rates levies surplus will be distributed to authorities on a needs basis - payment will be made in 2018/19 (£0.84M for SCC);
- Social Care funding announced in the Autumn Budget 2018 was confirmed;
- There has been no change in the New Homes Bonus baseline growth position of 0.4% in the 2019/20 settlement;
- LGFS 2018 announced that a Green Paper on future challenges in Adult Social Care would be published in the summer of 2018. The paper is still awaited and is expected to be published before the end of 2018/19;
- The Council Tax referendum limit has been set at 3% for 2019/20 (the same as the limit for 2018/19); and
- A £24 Council Tax flexibility has been afforded to the Police and Crime Commissioner.

50. The full details of all changes notified within the PLGFS are detailed within the MTFS in Appendix 2.

51. The final Local Government Finance Settlement was published on 29th January 2019 with no changes to the provisional settlement impacting on the Council.

FURTHER CHANGES

52. Table 8 below details further changes since the position reported to Cabinet in October 2018, including the impact of the Provisional Local Government Financial Settlement.

53. **Table 8 – Further Changes**

February Budget Report 2019	**2019/20 £M**	**2020/21 £M**	**2021/22 £M**	**2022/23 £M**
Budget Gap October 2018	0.00	4.60	3.95	4.71
Additional pressures	6.70	6.80	6.80	6.80
Removal of Savings post consultation	0.09	0.55	0.55	0.55
Executive Commitments	0.03	0.00	0.00	0.00
Social Care Demand Reserve	1.00	1.00	1.00	0.00
Changes in Growth Assumptions	(0.24)	0.19	0.32	(1.70)
Business Rates Additional Surplus from BRR Pilot	(0.78)	(2.00)	0.00	0.00
Potential Additional Savings	(0.33)	(0.33)	(0.33)	(0.33)
Treasury Management	(1.36)	(1.19)	(1.32)	0.00
Changes in Other Central Grant Funding	(4.07)	(0.60)	(0.55)	0.09
Changes in Central Funding	(0.46)	0.44	1.41	1.49
Surplus carried forward from 18/19	(0.58)	0.00	0.00	0.00
Amended Budget Gap February 2019	**0.00**	**9.46**	**11.83**	**11.60**

54. 2020/21 and future years budget gap to be addressed including further review of savings requirements and MTFS Funding Assumptions.

Revised Pressures

55.	Since the October 2018 report was published there have been further changes to the position identified. These are set out below. <u>Safe, Healthy & Independent Lives - £6.60M</u> • <u>Additional non achieved savings £6.40M</u> Savings unachieved due to increasing demand in relation to client care which has been reflected in an increase in average costs per client. This includes £0.1M pressure relating to the annual running costs of the residential care homes in relation to cover required for sickness, annual leave and training. • <u>Benefits Advice & Support - £0.08M (2019/20 & 2020/21)</u> Further investment is required in providing benefits advice and support for targeted tribunal work with those affected by WR on disability benefits, and additional support for claimants with complex cases/claims who need support early in the claim process to reduce the risk of having to go to appeal. • <u>Domestic Violence Service - £0.12M recurring.</u> In order to meet the current demand on the service it is necessary to increase the team by 3 FTE. The service provides support to victims at crisis point providing intensive advocacy and support for a short time to reduce serious risk of harm. The increase in demand has also been mirrored in the voluntary sector with all service providers being under significant pressure to meet the current levels of demand. <u>Strong Economic Growth £0.10M</u> • Following a Court of Appeal ruling that cash machines should not be assessed separately for business rates in supermarkets, it is expected that there will be a fall in business rates income once these appeals have been settled. This is estimated to impact the Council by £0.10M per annum.
	<u>Removal of Savings Post Consultation</u>
56.	In response to the consultation feedback, and further member considerations, Cabinet have revised the draft proposals considered by Cabinet in October 2018. The main changes are: • An amendment to the proposed saving to close residential care homes. Following consultation feedback and further consideration by officers and members, the proposal in principle is to close Glen Lee and make more efficient use of Holcroft House. This reduces the saving by £0.41M. This is further detailed in Document in Members Room 4. • Two elements of the Adult Social Care Charging Policy proposals will not be implemented i.e. an annual fee to administer a Deferred Payment Agreement will not be levied; and the proposal to remove the exemptions given to previous clients of the Locally Based Hospital Units (LBHU) for non-residential care charges will not be implemented. Further detail is included in Document in Members Room 5.
	<u>Additional Savings</u>

57. Further savings have been identified totalling £0.33M and relate to a number of small business as usual savings. These have now been included in the relevant outcome financial appendices as detailed in Appendix 1. These are further summarised in Table 9 below. It should be noted that these savings do not impact on staffing and do not require further consultation. Implementation costs will be funded by existing resources where possible or from a contribution from the MTFS reserve.

Table 9 – Summary of Additional Savings

Outcome	**Sum of 2019/20 £M**	**Sum of 2020/21 £M**	**Sum of 2021/22 £M**	**Sum of 2022/23 £M**
A Modern Sustainable Council	0.20	0.20	0.20	0.20
Southampton is a City with Strong, Sustainable, Economic Growth	0.04	0.04	0.04	0.04
People in Southampton lead safe, healthy, independent lives	0.09	0.09	0.09	0.09
Grand Total	**0.33**	**0.33**	**0.33**	**0.33**

Central Funding Adjustments

58. Business Rates

As a result of the Solent Region Business Rate Pilot, SCC will not receive RSG of £10.79M in 2019/20 as this is offset by the increased retention of Business Rates. In addition to this the council has received additional section 31 grants to compensate for the Government's announcement for reliefs to the High Street.

59. Collection Fund – Growth Business Rates & Council Tax

A further review has also been undertaken to assess the expected growth in Business Rates and Council Tax and a further adjustment has been included to reflect the expected profiling of growth in the City and the impact over the medium term.

60. New Homes Bonus

The forecast for New Homes Bonus in future years has been reduced to reflect the level of growth achieved in 2018/19, which was 0.86% compared to the previous forecast of 0.96%. Therefore, the forecast for future years has been reduced to reflect the actual level of growth achieved in 2018/19 and also assumes that the Government continues to apply a 0.4% baseline below which growth will not be rewarded.

61. Central Grants

Additional grants have now been notified for 2019/20 that were not expected to continue. Council Tax Support Administration Grant will be higher by £0.12M in 2019/20; Housing Benefit Admin Support Grant (£0.86M) has been notified, and with the announced delay in the full roll out of Universal Credit, further grant assumptions have now been built over the term of the MTFS. This have been offset by removing other minor grants for which no notification has been received and no grant has actually been notified or received in 2018/19.

Further additional social care grant monies have been announced of £3.0M (including £1.10M for Winter Pressures) which have been built into the position for 2019/20.

62. Treasury Management

A review of capital funding for the capital programme and likely debt management costs in 2019/20 has been undertaken allowing the release of £0.58M. This has been achieved

	mainly as a result of slippage on the capital programme, and the identification of other funding sources allowing the reduction in the council's anticipated borrowing requirement.
	<u>Other Changes</u>
63.	<u>Business Rates Retention</u> £2.5M additional business rates were assumed in setting the 2019/20 budget in February 2018 as the result of the successful application for a Solent Authority 100% Business Rate Pilot. It is now expected to be a £3.28M, with the additional £0.78M now being shown in the MTFS. A further £2.0M is expected in 2020/21, as a result of the successful application to continue the Solent Authority Business Rate Pool Pilot at 75% in 2020/21.
64.	<u>2018/19 Surplus</u> As detailed in paragraph 31 to 38, there is an anticipated £0.58M overall underspend against the budget in 2018/19. This surplus will be carried forward to support the closing of the 2019/20 budget gap.
65.	<u>Social Care Demand Reserve</u> It is proposed to create a reserve to manage the fluctuations specifically in relation to Social Care demand. The aim of the reserve it to meet the cost of demand compared to an 'average' year funding requirements rather than rebaselining the social care budget each year based on demand assumptions at that time. This is in effect a 'smoothing' mechanism to help deal with peaks in demand. £1.0M a year will be added from 2019/20 funded from releasing central inflation funding.
	<u>Executive Commitments</u>
66.	<u>People in Southampton live safe, healthy, independent lives</u> <u>Green City Charter - £0.03M</u> The council is proposing to develop a new citywide Green City Charter which will seek to deliver actions that will reduce pollution and waste, minimise the impact of climate change, stop health inequalities and create a more sustainable approach to economic growth. The Green City charter will identify a clear set of objectives that are aligned with national priorities. As well as setting a set of commitments and actions for the Council to deliver, it will seek support from partners across the city to do the same. A sum of £0.03M has been identified to develop a work plan involving both internal and external engagement to develop the proposal further, ensure priorities reflect the city's needs and establish a set of ambitious targets and a delivery plan for the Council. The Green City Charter and the council's action plan will be presented to Cabinet in spring 2019.
	THE COLLECTION FUND

67.	The income from council tax and non-domestic rates is reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation. Utilising the Key Assumptions within the MTFS, the forecast position for Southampton City council for the collection fund is shown in Table 10. **Table 10 – Collection Fund**

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Council Tax – General Precept	88.94	92.71	95.12	97.22	99.06
Council Tax – Adult Social Care Precept	6.99	7.04	7.04	7.04	7.04
Business Rates	99.21	78.06	55.90	58.27	59.36

	Council Tax
68.	The Executive are recommending an increase in council tax for 2019/20 of 2.99%, with regard to the general power to increase council tax prior to referendum. £99.75M is the level of council tax required to provide a balanced budget for 2019/20. This is then divided by the council tax base set by the S151 Officer, following consultation with the Cabinet Member for Finance and Customer Experience, to give the basic amount of council tax for a Band D equivalent of £1,535.52. This is the equivalent of an increase of £0.86 per week. The full calculation is set out in Appendix 3. This does not include amounts from other precepting authorities.
69.	The estimates of the payments from the collection fund in the form of precepts for 2019/20 are set out in Appendix 4. This also details the increase in council tax by property band for 2019/20. This includes preliminary figures for the Police & Crime Commissioner (PCC) and the Fire Authority. The LGFS allows for an increase up to £24 for PCC and this has been proposed giving an increase of 14.39% on their precept. The Fire Authority have proposed an increase of 2.99% on their precept. Whilst these are the proposed increases these are subject to formal approval.
70.	The figures for both the PCC and the Fire Authority may not be approved until after 20th February 2019 and therefore this report requests a delegation of authority to the S151 Officer to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
71.	The Council Tax base for 2019/20 has been set at 64,959 properties using delegated powers granted by full council on 17th January 2007. This reflects the expected growth in the tax base and any adjustments for the Council Tax Reduction Scheme.
	Council Tax – Empty Homes Premium
72.	From April 2019 Councils are being given powers to charge greater Council Tax premiums on homes left empty for over two years. To help reduce the number of long-term empty properties further, the Chancellor confirmed at the Autumn Budget 2017 that the Government would double the cap on the empty homes premium. In July 2018 the government announced further changes introducing an amendment that would allow councils to increase the council tax on homes left empty;

	• 1st April 2019 100% for properties that have been empty for less than 5 years (after the qualifying period of 2 years); • 1st April 2020 200% for properties that have been empty for 5 years or more but less than 10 years; and • 1st April 2021 300% for properties that have been empty for 10 years or more. Decisions on whether to charge a premium, and the exact rates to be charged will remain a matter for councils, taking local circumstances into account.
73.	By raising the premium from 50% to 100% in 2019/20 an additional £0.11M could be raised based on the current year known properties. In 2020/21 this could potentially double if the maximum percentage increases were adopted.
74.	It is proposed that Council approve this change in respect of the Empty Property Premium. It should be noted that formal consultation on this change is not required.
75.	At the current time the financial implications from the change in this policy have not been included in the MTFS. If adopted, these will be included in future updates of the MTFS for 2019/20 and future years.
	Business Rates
76.	The amount to be retained and the amounts to be paid to central government and major precepting authorities are fixed at the start of the financial year on the basis of the billing authority's estimate of its business rate income for the year. Any variation is recognised as part of the end of year accounting process for the Collection Fund and any surplus can be utilised in the budget whilst any deficit must be made good.
77.	The non-domestic rates (NDR) estimate for 2019/20 has now been completed and the statutory notification return (NNDR1 Form) has been completed. Given the continued uncertainty of the impact of in year adjustments such as appeals, the form allows for estimated growth / decline of various elements. After allowing for these various elements and the impact of the Autumn Budget Statement 2018 changes (funded by Section 31 Grant) the council's net rates payable for 2019/20 is £118.44M.
78.	After allowing for estimated losses in collection of £2.37M and estimated repayments in respect of the 2018/19 Rates of £5.57M giving a collectable rates figure of £110.51M.
79.	This is further adjusted to exclude Transitional Arrangements additional income of £1.42M, all payable to central government, and £0.31M costs of collection giving non domestic rating income of £108.78M.
80.	As detailed in paragraphs 19 to 21, SCC is part of the Solent Region Business Rates Pool and 75% Business Rates Retention Pilot for 2019/20. Any pilot has to be fiscally neutral to the government therefore the council foregoes Revenue Support Grant £10.79M and becomes a tariff authority rather than receiving a top up grant (£4.55M). The tariff will be £10.12M for 2019/20.
81.	In addition to income received from the collection of Business Rates, the council will receive grants under Section 31. Under the pilot scheme in 2019/20 these amount to £6.15M.
82.	It should be noted that as a result of retaining 75% of the business rates, the pool will receive half of the share of growth in rates that would have been paid over to central government. The mechanism for allocating this growth between the pool members is currently being finalised and will be approved by the Leaders of the three councils as part of the governance framework.

83.	It is estimated that SCC's share of this growth will initially be in the region of £2.0M. The amount will be finalised during 2019/20.
84.	The overall level of income for business rates for 2019/20 for SCC is expected to be £78.06M to support the revenue position.
	PUBLIC HEALTH GRANT
85.	The Public Health Grant, which was introduced in April 2013, will continue to be a ring-fenced grant to local authorities into 2019/20. The final allocation of Public Health Grant for 2019/20 is £16.45M. The Public Health Grant has already seen year on year reductions from 2015/16 and will continue to reduce as outlined in Table 11 below.
86.	Table 11 Public Health Grant Reductions

	2018/19	**2019/20**
Public Health Grant	£16.90M	£16.45M
Percentage reduction in total grant from 2015/16 baseline	2.57%	2.64%

87.	The council is committed to identifying savings from within the total Public Health Programme, comprising the delivery of internal and external services, in order to achieve the level of savings required.
88.	The grant reduction in 2019/20 is £0.45M, as well as inflation and pay awards needing to be contained within expenditure. There is an expectation that this funding may be removed completely as part of the Business Rates Retention scheme.
	National Health Service (NHS) Long Term Plan – Impact on Public Health Funding
89.	In 2018, the government announced £20.5bn of additional funding for the NHS in England by 2023/24. The NHS long term plan sets out priorities for how this money will be spent over the next ten years.
90.	The plan indicates that the NHS and central government will look at funding key public health services from the NHS budget.
91.	It will consider whether there is a stronger role for the NHS in commissioning sexual health services, health visitors, and school nurses, and as a result how best to commission those services in the future. These services are currently funded from the local authority public health budget. The new budget for 2020/21 onwards is due to be announced in the spring spending review. Any changes in the Public Health Grant funding assumptions will be included in future updates of the MTFS.
	RESERVES AND BALANCES
92.	To ensure proposals are considered in a full financial picture, it is important to set out the expected position on earmarked reserves and the General Fund Balance.
	Earmarked Reserves
93.	The council has a number of earmarked reserves that have been set aside for specific reasons. These reserves can be split into two categories: a. Those required to be kept by statute or accounting guidance e.g. revenue grants reserve, School Balances. These reserves can only be utilised for the purpose for which they have been set aside.

	b. Those set aside for a future event that has a high probability of occurring, e.g. Transformation Reserve.
94.	The financial risks facing the council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government Funding and the subsequent budget shortfalls that the council would then face and the overall local and national economic factors which can affect the financial stability of the council.
95.	In light of the increasing level of risk and uncertainty identified within the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken. In closing the accounts for 2017/18 a view has been taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.
	General Fund Balance
96.	The General Fund Balance is forecast to be £10.0M at the end of 2018/19. The required level of balance is determined by assessing the level of risk the council faces. This is still currently assessed at £10.0M.
97.	Obviously when the council is facing significant cuts in funding, increasing demand alongside a major transformation programme the level of risk is heightened. The assessed minimum balance has been reviewed again for the MTFS update, taking into consideration both risk and affordability.
98.	It should be noted that the average general fund balance for a Unitary is £9M, with Portsmouth City Council, a comparator authority, holding a general fund balance of £24.1M (including £3.5M Schools Balances) as at 31st March 2018.
	SCHOOLS UPDATE
99.	At 31st December 2018 there were 15 schools reporting a deficit balance as shown in table 12 below.

Table 12 Schools in Deficit

	Deficit £M	No. of Schools
Nursery	0.24	1
Primary	1.41	7
Secondary	1.97	5
Special	0.68	2
Total	**4.30**	**15**

These schools are working with Children's & Families to agree Deficit Recovery Plans (DRP). Provision for additional resources has been identified within earmarked reserves to fund a school improvement officer and additional finance support to work closely with these schools and to monitor achievement of actions during 2019/20.

100.	As previously reported there is a significant pressure within the High Needs Budget, and a number of options have been previously approved, including a one off contribution from General Fund Reserves, to facilitate a workable solution.
101.	The pressure in 2018/19 (and assumed for 2019/20) is £2.41M. However, in recognition that there is a national high needs funding issue, the Government have allocated additional DSG

	monies in 2018/19. SCC will receive an additional £1.1M, which is the maximum available and will continue to receive the maximum increases in future years (expected to be £0.9M in 2019/20). At the Schools Forum in January 2018, agreement was reached to 'top slice' 0.5% of the Schools Block DSG to help meet the high needs pressure funding a further £0.7M. In December 2018 a further allocation of High Needs Funding was announced with SCC receiving ££0.53M. Table 13 below shows the overall forecast pressure for 2018/19 and 2019/20.
102.	Table 13 – High Needs Funding Pressure

High Needs Pressures	2018/19 £M	2019/20 £M
Total Estimated Pressure 2018/19	2.41	2.41
Increase in High Needs Allocation	(1.09)	(0.90)
0.5% transfer of DSG from Schools Block	(0.70)	(0.70)
Additional SEN funding Announcement	(0.53)	(0.53)
Adjusted Pressure	**0.09**	**0.28**

103.	At this stage this results in a deficit position in 2018/19 of £0.09M increasing to £0.28M in 2019/20. A review is to be undertaken of the entire Education Service provided by the Council to identify options to the meet the remaining funding gap.
104.	It has been assumed that the above noted pressures will need to be accommodated within the Dedicated Schools Grant (DSG).
	HOUSING REVENUE ACCOUNT (HRA)
105.	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 approximately 16,000 homes for Southampton tenants and their families and to over 1,900 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens, and capital spending on council properties.
106.	**2018/19 Forecast Position**
107.	The income and expenditure budgets for the HRA were approved by council in February 2018 as shown in Table 14 below.
108.	The year-end forecast position for 2018/19 shows an adverse forecast variance of £0.97M compared to this budget.

Table 14 – HRA Forecast Outturn Position 2018/19

	2018/19 Budget	Quarter 3 Forecast	Variance
	£M	£M	£M
Net rent income	(69.63)	(68.73)	0.90 A
Service charges & other income	(2.82)	(2.87)	0.05 F
Misc. Adjustments	0.00	0.00	0.00
RTB admin	(0.13)	(0.13)	0.00
Total income	**(72.58)**	**(71.73)**	**0.85 A**
Management	21.57	21.88	0.31 A
Depreciation	19.53	19.53	0.00
Responsive & Cyclical repairs	14.79	16.25	1.47 A
Other revenue spend	0.10	0.10	0.00
HRA cost of rent rebates	0.00	0.00	0.00
Total service expenses	**55.98**	**57.76**	**1.78 A**
Capital charges	6.17	6.17	0.00
Repayment of loans	5.96	5.50	0.46 F
Revenue contribution to capital	4.47	3.27	1.20 F
Total expenditure	**72.58**	**72.70**	**0.12 A**
(Surplus) / Deficit for the year	**0.00**	**0.97**	**0.97 A**

109. The variance of £0.97M is due to:

- a delay in the implementation of the new materials contract, initially due to systems and stock replenishment issues but has been mitigated in part, by savings from vacant posts; retendering on Housing Investment expenditure; and increased income from leasehold properties due to major works.
- An increase in the provision for bad debts to reflect the increasing rent and service charge arrears as a result of the introduction of Universal Credit.

Work is ongoing to identify further in-year savings to mitigate the variance, but the current assumption is that an expected underspend on the capital programme will enable £0.97M of reduced revenue contribution to capital in 2018/19.

Medium Term Financial Position

110. This report sets out the HRA revenue budgets for 2019/20 and the 30 year HRA business plan covering the period 2019/20 to 2048/49. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2019/20.

111. Following the Chancellor's announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous Southampton City Council HRA debt cap of £199.60M has been removed, and there is now the emphasis for councils to plan their new build strategy and financing at a local level. The process for identifying priorities and sites for new build developments is now taking place and is expected to form the basis of a new delivery strategy in 2019.

112. The HRA Business Plan supports a number of council strategies, including the Medium Term Financial Strategy, to ensure plans are affordable and budgets are aligned to the

	assumptions detailed in those strategies. The specific HRA Business Plan priorities are summarised below: • All HRA debt is sustainable and can be serviced over the life of the Business Plan. • Investment in existing HRA stock can be achieved within the Government's previously set borrowing limit of £199.6M. Borrowing in excess of this limit has been included in the HRA Business Plan for additional stock investment and regeneration. • The capital spending plans include provision to maintain and improve all existing dwellings and based on a Housing stock capital strategy that is in the process of being developed and enhanced. • A provision of £131.0M is set aside for stock replacement over the next 30 years. This provision has been phased between year 4 and year 30 of the Plan. This amount allows for the provision of 15 new dwellings each year. • Currently, large scale new stock provision is not provided for in the Business Plan, any new build development will be subject to a business case and financial appraisal to assess the financial viability of the scheme. The revenue budget meets the minimum balances of £2.0M per year over the life of the Plan.
113.	The HRA Business Plan has, at points, shown revenue balances that increase above minimum levels within the 30 year period. This has been mitigated to an extent by repayment of loans outstanding across the life of the Business Plan. The surpluses are subject to change annually, and will reflect the annual review of stock investment needs, estimated unit income and expenditure, as well as the prevailing external economic factors of the time.
114.	The impact of the additional remedial works required in the aftermath of the Grenfell Tower disaster has highlighted the requirement for a more detailed longer term capital strategy to be in place, detailing specific works that are due over the forthcoming 5 to 10 years. This will enable decisions to be made that effect residents to be more transparent and for resource planning to be better informed and more efficient. The capital strategy initial plan was taken to Capital Board in November 2018, but a further update will be undertaken in 2019/20, which will then be regularly revised and reported thereafter.
115.	A 30 year HRA Business Plan has been prepared and the summary for the revenue and capital budgets is set out in Appendices 7 and 8. To ensure all council plans are aligned these reflect the key planning assumptions set out in the Medium Term Financial Strategy.
	Rent & Service Charge Increases
116.	The current charging mechanism for service charges for the HRA does not currently recover all costs that are applicable for a service charge. This means that tenant rent is currently covering some of the costs associated with these areas. Due to this, an element of funding is diverted away from management, maintenance and replacement of stock which has a longer term effect on the delivery of an effective HRA that meets residents and organisation objectives and expectations. Increases in service charges are proposed for 2019/20 for areas that existing service charges have been underfunding. It is proposed that from early 2019 a working group will be set up to analyse all service charge related areas in the HRA and from there a service charge strategy be delivered for later discussion and/or approval. Supported Accommodation and Garages and Parking sites should be included within this process.

117.	In line with the Welfare Reform and Work Act 2016, HRA rents will be reduced by 1%. This is the final year of a four year programme of rent reductions, and the latest advice from MHCLG is that rents will be allowed to increase by up to CPI+1% for the years 2020/21 to 2024/25, and after that by up to CPI.
118.	Approval is sought to increase service charges by the below rates from 1st April 2019. The increases are based on moving towards full cost recovery for the various service charge areas. This gives revised service charges as follows: General Service Charges • Digital TV £0.43 (£0.00 increase from 2018/19) • Concierge monitoring £2.18 (£0.94 increase from 2018/19) • Door Entry System £0.22 (New Charge) • Tower Block Warden £5.12 (£0.00 increase from 2018/19) • Walk-Up Block Wardens £0.54 (New Charge) • Emergency Lighting Testing/Repairs £0.27 (New Charge) • Cleaning service in walk-up blocks £0.72 (£0.07 increase from 2018/19) • Garden/Ground Maintenance – Tower & Walk Up Blocks £0.22 (New Charge) Supported Accommodation • Call Monitoring Charge - £1.29 (£0.00 increase from 2018/19) • Careline Silver - £3.09 (£0.00 increase from 2018/19) • Careline Gold - £4.38 (£0.00 increase from 2018/19) • The above changes have been subject to consultation, details relating to this is contained in a specific Equality and Safety Impact Assessment : http://www.southampton.gov.uk/images/esia-shil-4-revising-service-charges-for-tenants_tcm63-403401.pdf
	Other Key Assumptions
119.	Rent arrears have continued to rise in the current financial year, 2018/19, linked to the impact of Welfare Reform. Although there is a short term impact on the Business Plan, with bad debt provision temporarily rising by 0.5% over the next 5 years, it is expected that in the longer term, the debt position will stabilise in line with national policies and internal debt collection processes.
	Savings Proposals
120.	As part of the budget setting process, the HRA business plan has reflected the statutory requirement for a 1% reduction in dwelling rent for the financial years 2016/17 to 2019/20. This has resulted in a loss of income of £33M compared to the projected income in the 2015/16 business plan. The Business Plan approved by council in February 2018 included a 2019/20 savings target of £3.15M. Savings proposals meeting this target have been identified and were reported to Cabinet in October 2018. Table 15 below provides an update on the current HRA budget position:

Table 15 – HRA Budget Position

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Budget Gap – February 2018	**0.00**	**3.15**	**3.42**	**3.68**	**3.68**
2018/19 Pressures	0.97	0.00	0.00	0.00	0.00
Efficiency Savings	0.00	(0.62)	(0.98)	(0.98)	(0.98)
Reduction in Contribution to Capital Funding	(0.97)	(2.53)	(2.44)	0.00	0.00
Amended Budget Gap – October 2018	0.00	0.00	0.00	2.70	2.70

121. Efficiency savings, income generation and service reductions savings have been explored, including reduction and cessation of various corporate subscriptions, as well as potential further service redesign.

122. There has been an increased requirement for capital expenditure in 2019/20 to fund the additional costs of the identified remedial works following the Grenfell Tower disaster. There has also been an additional cost pressure for the capital programme in relation to further regeneration works required for the Townhill Park scheme. These pressures, alongside the additional savings requirement for a Reduction in Contribution to Capital Funding from revenue financing has meant that additional borrowing has been required in 2019/20, as well as a deferral in repayment of loans which have instead been refinanced over a longer period of time. The HRA 30 year Business Plan is still sustainable, and the cost pressures are all expected to be short term occurrences.

123. The above savings proposals have now been finalised and do not require the need for public consultation, although the changes to service charges were part of the budget consultation process.

HRA Balances

124. The HRA Business Plan revenue balances enable a longer term repayment of debt to take place. Following recent cost pressures, and the removal of the debt cap leading to ongoing regeneration/new build borrowing of £3.0M per year, debt repayments are still taking place during the life of the Business Plan, but there remains an outstanding debt of £139.7M at the end of the 30 year plan.

A significant risk to the long term plan is that, if property works related inflation was to exceed general inflation over a prolonged period, this could have a significant adverse impact on HRA balances as property costs would begin to exceed rental income. Therefore the forecast financial position is subject to annual review based on the prevailing economic factors and will also reflect the annual review of stock investment needs and estimated unit rates.

The other significant risk is changes in Central Government rental policy in the future. The current programme of rent reductions ceases after the 2019/20 financial year, and it is then followed by a period of 5 years of CPI + 1% inflation, as per current Government policy. Policy thereafter is uncertain, the current assumption is CPI per annum.

125. It will be necessary to regularly undertake sensitivity analysis to assess the impact of external influences such as building inflation and changes to CPI on the business plan so

	that the overall budget position can be maintained to support investment in services and properties to meet the expectations of tenants and our regulatory requirements.
126.	The HRA minimum balance will remain at £2.0M.
	STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES
127.	Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for “the proper administration of their financial affairs’ and appoint a Chief Finance Officer (CFO) to have responsibility for those affairs. The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.
128.	Section 25 of the Local Government Act 2003 (LGA 2003) imposes a duty on the Chief Financial Officer (CFO) to report formally to full council on the following matters:- • The robustness of the estimates made for the purpose of the calculations (to set the council tax). • The adequacy of the proposed financial reserves. The council is required to set a balanced budget each year and a minimum level of revenue balances and reserves must be specified within the budget, and be taken account of when setting the budget requirement.
129.	In setting the budget the council should have regard to the strategic and operational risks it is facing. Some of these risks reflect the current economic climate, the national issues surrounding local authorities and increasing demand for services.
130.	In considering the robustness of estimates the S151 Officer has examined the major assumptions and has carried out some sensitivity analysis to ascertain the potential risk and reasonableness of underlying budget assumptions such as:- ▪ The reasonableness of provisions for inflationary pressures; ▪ The likelihood of interest rate rises; ▪ The extent to which known trends and pressures have been provided for; ▪ The achievability of change built into the budget; ▪ The realism of income targets; ▪ Third party provider risks; ▪ A review of major risks associated with the budget; ▪ The availability of the General Fund Balance to meet cost pressures from unforeseen events; and The strength of the financial management and reporting arrangements.
131.	In coming to a view the S151 Officer has taken into account the risks, issues and mitigations set out in Appendix 6 – Key Financial Risks.
132.	All these risks have been rated using the council’s risk assessment criteria. Key points from this assessment are detailed in paragraphs 182 to 194.
133.	There has been a sensitivity analysis carried out on the underlying assumptions contained with the MTFS Model, around inflation, interest rates and income estimates.
134.	There has been an assessment of the required General Fund Balance to meet cost pressures of unforeseen events and third party risk.
135.	Detailed estimates have been prepared by each service area based on levels of service required to achieve the outcome plans. In completing this exercise service areas have

	reviewed the risk associated with the individual business plans. Where these risks are seen as significant they have been added to Appendix 6.
136.	As the 2018/19 year has progressed savings proposals have been implemented and further planning and verification of the proposals for 2019/20 has taken place. In some instances this has resulted in a reduced saving all of which have been taken into account in setting the budget and reviewing pressures. However due to the level of savings required and, in some areas, the complexity, there is still a risk to the business, as the budget assumes these will be implemented with sufficient pace. As can be seen by the additional pressures being added back in to the MTFS as the result of non-achieved savings, it is imperative that savings plans are closely monitored and updated as needed to ensure that savings are achieved. These plans will be continuously monitored and reported throughout the coming year, but as a consequence the MTFS Reserve is still seen as key reserve to be maintained.
137.	Significant financial pressures experienced in 2018/19 have, where appropriate, been recognised in preparing the estimates included in this report, as can be seen from table 3 in paragraph 36. It is also proposed that a new earmarked reserve, specifically to address peaks in Social Care Demand, is created to help manage this pressure in future years as detailed in paragraph 65.
138.	The financial management and reporting arrangements have continued to be strengthened in the past twelve months with the continued integration of finance business partnering. Monthly monitoring reports will be made to the Council Management Team (CMT) in a timely fashion. If a forecast overspend has been identified, the Service Director is expected to develop an action plan, detailing the measures to be taken to manage the pressure. It is expected that the requirement for action plans will continue into 2019/20, with an overarching expectation that pressures arising must be accommodated within the overall service budgets.
139.	The most significant pressures impact from Social Care demand. Therefore, demand strategies for both Adult Social Care and Children’s Social Care have been developed and are detailed in annexes 3 and 4 of the MTFS in Appendix 2. These demand strategies need to be regularly reviewed as part of the ongoing monitoring process and updated as necessary. These are a key factor in achieving ongoing savings in these service areas.
140.	The setting of a balanced budget is not reliant on the utilisation of the General Fund balance. This gives us the opportunity, given the level of economic uncertainty to maintain the level of the balance without any further contributions giving us the opportunity to review this balance in light of the economic uncertainty faced by the council.
141.	In addition to the budget risks the collection of Council Tax and the generation of business rates are two key risks which need to be closely monitored. An assessment of the anticipated business rates income has been carried out based on the information available and a provision made for appeals. The anticipated growth in business rates and council tax fed into the estimates has broadly been achieved, with relatively minor slippage in business rates. However 2019/20 not only relies on further growth but also introduces a further 75% business rates retention pilot, which makes us more reliant on business rate income increasing the potential risk associated with these estimates, but in the S151 Officer’s opinion these have been identified and provided for within the Taxation Reserve, which if resources are available will be strengthened at the end of the financial year.
142.	There are several significant savings proposals in future years that need to be further developed alongside a considerable budget gap to be closed by the end of the MTFS period. It is imperative that early action is taken to identify proposals to close the budget gap and to ‘firm up’ future years proposals identified in particular £0.90M of efficiencies to be

	achieved through implementation of major projects such as the introduction of an Enterprise Resource Platform.
143.	The MTFS also assumes that significant Better Care Funding will be replaced by alternative central government funding. Clearly this will have a major impact on the MTFS in future years if this funding is removed. This should be clarified in the Comprehensive Spending Review due in 2019.
144.	Overall the risk associated with the General Fund and the Housing Revenue Account budget is still at a high status given the quantum and complexity of savings, however these risks have been identified and mitigations put in place.
145.	Looking forward there are a number of potential risks on the horizon; • the end of the Comprehensive Spending Review in 2019/20; • the proposal to implement a revised funding formula; • increase in the frequency of business rates valuations; • the move to 75% Business Rates Retention; and • the implications for Britain leaving the European Union.
146.	As a result of these potential future risks it is the S151 Officer's opinion that the General Fund Balance should be maintained at £10.0M, and when possible the taxation reserve increased. However following the analysis it is the S151 officer's opinion that the overall level of reserves and balances are adequate if the proposals in this report are approved.
	CIPFA RESILLIENCE INDEX
147.	In July 2018 CIPFA developed a proposal to publish an index of resilience of English councils designed to support the local government sector as it faces continued financial challenge.
148.	A first draft of the index was released to finance directors in December 2018. Following the consultation process, and planned development workshops with finance directors during 2019, a final version will be published alongside a new Financial Management Code in the Autumn of 2019.
149.	The resilience index considers: • Reserves Depletion Time – i.e. at current usage levels the number of years before reserves have been depleted: • Level of Reserves as a proportion of net revenue expenditure – this is seen to be an indication of how well an authority might be able to deal with a financial shock; • Changes in Reserves – this measures the change in reserves over the previous 3 years; • Council Budget Flexibility – this is linked to interest payments (that tend to be fixed) and social care (demand driven) both of which are difficult to control or reduce and looks at these costs as a proportion of net revenue expenditure. A high ratio may indicate a difficulty in meeting future budget constraints; and • Council Tax to Net Revenue Expenditure Ratio – this looks at the security of income to fund net revenue expenditure.
150.	The above will in due course link to the Financial Management Code and will be expected to support the section 25 Statement set out in the above paragraphs 127 to 146.
	BUDGET CONSULTATION
151.	The Council's Cabinet published their draft budget proposals for 2019/20 for public consultation on 16th October 2018. The consultation was designed to run from 17th October

	2018 to 2nd January 2019 and included proposals relating to the General Revenue Account budget. In addition to a budget consultation which set out all of our proposals, we undertook additional consultations relating to three specific budget proposals. These included: •Revising the Adult Social Care Charging policy •Future of two council-owned residential care homes •Revising service charges for tenants (Housing Revenue Account) The agreed approach for the public consultation was to use a combination of paper and online questionnaires, along with a range of stakeholder meetings for the specific consultations. The approach taken with the budget questionnaire enables an appropriate amount of explanatory and supporting information to be included in a structured way, helping to ensure that residents are aware of the background and context to each of the proposals. It is therefore considered to be the most suitable methodology for consulting on a complex issue such as the whole draft council budget, where there are a wide range of proposals. The council also wrote to key partners across the city, to make them aware and seek their views.
152.	In total 1,287 responses were received by 16th January 2019 on the budget proposals for the 2019/21 financial years. The breakdown of this by consultation is shown below: - Overall budget = 559 - Revising the Adult Social Care Charging policy = 156 - Future of two council-owned residential care homes = 380 - Revising service charges for tenants = 200 The demographic make-up of the respondents is outlined in each of the consultation reports. There was one petition on the proposals for the future of the care homes, this petition had over 1,500 signatures so triggered a discussion at full council. This discussion took place on 21st November 2018. The petition was coordinated by UNISON and had a total of 2,565 signatures to the following: 'We the undersigned petition the council to abandon its proposals to close the last two council owned residential care homes: Glen Lee and Holcroft House, and place up to 85 loyal care staff at risk of redundancy.' These documents can be viewed in full in the Members' Rooms.
153.	For the overall budget consultation proposals were grouped into themes and described in separate information sheets, which had a question asking consultees the extent to which they agreed with the group of proposals. The themes were constructed around the council's priority outcomes. The following table shows the response for each area.

	Count of respondents
Children and Young People get a good start in life: Education and Early Years (Compass School Pupil Referral Unit Funding, Early Intervention Fund, Sugar Tax - Healthy Pupils Fund)	301
Children and Young People get a good start in life: Social Care and Early Help (Review and redesign locality based early help and prevention model, Council run Play Offer, Looked After Children Contact Service)	253
People in Southampton Lead Safe, Healthy, Independent Lives: Adult Social Care and Public Health (Increasing capacity of Shared Lives scheme, Increasing capacity of Urgent Response Service)	200

People in Southampton Lead Safe, Healthy, Independent Lives: Housing (Reclassify Accommodation from 60+ to 50+ or 55+)	194
Strong and Sustainable Economic Growth (Charges for blue badge holders in off street car parks, Itchen Bridge fees for non-residents, Transport Review, Investment Properties)	283
Attractive and modern city where people are proud to live and work (Waste collection service efficiencies, Introduction of smart compactor bins)	258
Modern Sustainable Council (Major projects, Other service delivery and redesign proposals)	237
None of them, I just want to comment on the budget consultation generally	36

The group of proposals with the highest level of engagement was “Children and Young People get a good start in life: Education and Early Years”, closely followed by “Strong and Sustainable Economic Growth” the group with the least engagement was “People in Southampton Lead Safe, Healthy, Independent Lives: Housing”.

Issues raised in the consultation feedback

154. Each of the consultations asked respondents for feedback about any impacts the proposals may have, these impacts are summarised in each of the consultation reports.

Summary of consultation feedback

155. In total 1,287 stakeholders have engaged with the consultation process and given their views on the budget proposals. The consultation has engaged with a range of individuals through a variety of methods to allow residents and other stakeholders in Southampton to give their views on the budget proposals for 2019/20. The feedback from the consultation with residents and stakeholders has led to Cabinet making the changes outlined in the final budget position.

<u>STAFFING IMPLICATIONS</u>

156. The council has on-going financial challenges. As a significant proportion of the council’s expenditure is on employee costs in the context of all outcomes being delivered within reducing envelopes, it is inevitable that the draft proposals will have an impact on staff cost and staff numbers.

157. Early indications are that the proposals set out in this report may result in a reduction of up to 87.31 full time equivalent (FTE) posts for the period 2019 – 2023 of which 18.33 FTE posts are currently vacant.

158.

Outcome	**FTE Post Reductions**				**Current Vacancies**
	2019/20	**2020/21**	**2021/22**	**2022/23**	
Children & Young People get a good start in life	47.00 (Children & Families)	To be quantified			8.24
People in Southampton Lead safe, healthy independent lives	3.00 (Housing)	33.26 (Adults Service)			5.58 (Adults Service) 3.00 (Housing)
A modern sustainable	1.51	0.80 (Business			1.51

council	(Business Support) 2 (ICT)	Support)			(Business Support)
TOTAL	**53.51**	**33.80**			**18.33**

159. An additional reduction in posts is anticipated in Children and Families for the period 2021 - 2023 with the specific impact to be quantified at that time.

The possible post reductions in Adults Services all relate to the proposed closure of Glen Lee care home. Options for the redeployment of the staff affected will be actively pursued within the Adults Service and, in particular, there are likely to be opportunities for care staff to be redeployed to Holcroft House, the Kentish Road respite service and the Urgent Response Service to support service users in their own homes.

Opportunities will also be explored with University Hospital Southampton NHS Foundation Trust for affected staff to be considered for NHS vacancies.

Wherever possible the reduction in posts will be managed through natural wastage, deleting vacancies and through voluntary options including voluntary redundancy, early and flexible retirement, and voluntary reductions in hours.

160. Managing the Impact

The Council has a well-established framework for managing organisational change which has been agreed with the trade unions. The Council will consult with affected staff and trade unions in accordance with our statutory obligations and will carefully consider all options put forward to minimise the impact on staff, and lessen the potential for compulsory redundancies.

EQUALITY AND SAFETY IMPACT ASSESSMENTS

161. The Equality Duty is a duty on public bodies which came into force on 5th April 2011. The council will have due regard to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.

162. While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, Council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.

163. Amended individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIAs are available in Members' Rooms.

164. The individual ESIAs have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The cumulative ESIA is available to view in the Members Rooms.

RESOURCE IMPLICATIONS	
Capital/Revenue	
165.	The capital and revenue implications are fully detailed within the report.
Property/Other	
166.	None
LEGAL IMPLICATIONS	
167.	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.
168.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
169.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
170.	The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11th March 2019 could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
171.	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.
172.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
173.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to council at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the Budget and Council Tax Setting Report to full council in February.

174.	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 (FPR's) 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.
175.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 5, which Members are directed to have regard to in reaching their decision.
176.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal. The proposals within this report relating to the Care Homes closures, Adult Social Care Charging Policy and Housing Service Charges are subject to additional legal considerations set out below and in the attached Members Room Document 5.
177.	The Care Homes proposals are set out in detail in Document in Members Room 4 and Members are directed to the legal implications set out in paragraphs 142 – 149 of that document. The proposals are brought forward in accordance with the provisions of the Care Act 2014 and having had regard to the Equality Act 2010 and the Public Sector Equality Duty under s. 149 of that Act.
178.	In relation to the Housing Revenue Account Service charges, the Council can make a change for services it provides to council tenants in addition to a charge for rent pursuant to the Housing Act 1985 and also in compliance with paragraph 2 of the Council's standard tenancy agreement. The Council is permitted to introduce new charges and vary existing charges so long as it follows the procedure set out in the Housing Act 1985 and complies with the Rent Standard and Guidance produced by Homes England. In particular any service charges must reasonable transparent and are limited to covering the actual cost for providing the services.
179.	The proposals within this report include a change in charging policy for Adult Social Care Charges. The Care Act 2014 imposes various statutory duties on Local Authorities when exercising Adult Social Care functions. S.14 of the Act permits Local Authorities to make a charge, unless specifically exempted, for meeting eligible and non-eligible needs for social care and support and for making a charge for putting in place arrangements for meeting the needs of self-funders. The statutory guidance issued under the Act and The Care and Support (Charging and Assessment of Resources) Regulations 2014 sets out how Local Authorities can make individual charges following financial assessments. Any charges made must be reasonable practicable and affordable for any individual to pay. All charges must be clear and transparent and should apply equally so that those will similar needs or services are treated the same and minimise anomalies between different care settings. Any charges made must be sustainable for Local Authorities in the long-term. The Document in Members' Rooms sets out further commentary on how these duties will be met and need assessed when setting charges going forward in accordance with the Act.
<u>Other Legal Implications</u>	

180.	The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the council's Constitution. As part of the review process by the Council's Management Team, the proposals contained in this report have been checked from a legal viewpoint.
181.	Local Authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 The right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life. In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty. The duty provides that: (1) A public authority must, in the exercise of its functions, have due regard to the need to— (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to— (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to— (a) tackle prejudice, and (b) promote understanding. The relevant protected characteristics are— age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex;

	sexual orientation.
RISK MANAGEMENT IMPLICATIONS	
182.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis and forms part of the Corporate Revenue Monitoring Report included elsewhere on this agenda.
183.	Alongside the risks identified when setting the budget for 2019/20 a number of items have arisen since this time that may need to be addressed outside of those assumptions. Currently those main issues are: • Southampton's joint bid with Portsmouth and the Isle of Wight to become a pool pilot in 2019/20 for 75% retention of business rates has been accepted by the MHCLG. As a result Southampton will benefit more from business rates growth in the pool area, although there is an increased risk of an overall reduction in funding if business rates fall. Arrangements have been put in place as part of the pool agreement to mitigate this risk; • Potential risk of savings proposals not being achieved and insufficient mitigations found to deal with in year – this is covered by the MTFS reserve; and • High Needs Funding – due to increasing pupil numbers within special schools and the associated cost of Home to School transport, there is likely to be an ongoing financial pressure. In this financial year this pressure will be mitigated using additional DSG and SEN funding that has been announced and additional allocations agreed with the Schools Forum. A review is to be undertaken of the entire Education Service provided by the Council to identify options to the meet the remaining funding gap. • Business Rate Growth Rebaselining – will be undertaken as part of Business Rate Retention changes that will result in business rates baselines being realigned. This could impact on future year's levels of business rate income for the council. The council has achieved significant growth in business rates since the last baselining and will potentially result in some of this growth being removed from the baseline. Provision has been made within the Taxation Reserve for loss of business rate income but it is recommended that when closing the accounts for 2018/19 that priority be given to increasing this reserve to provide additional funding to meet this risk. • Funding implications following the new Comprehensive Spending Review. A spending review is due in 2019. Additionally, it is also not known whether this will just be for one year, or for the next 3 to 5 years. The timing and content will depend on Britain's Exit from the European Union. The shorter the spending review period, the more uncertainty there is around funding assumptions.
184.	The Financial Risk Register is attached as appendix 6.
	Potential Impact of Britain's Exit from the EU
185.	The vote on the deal for Britain's exit from the EU was held on the 15th January 2019 with a further vote on the 29th following an initial rejection of the deal. Further uncertainty surrounds what will happen next.
186.	The MHCLG have been working with Local Authorities to establish protocols for a No Deal Exit should this occur. MHCLG have created a virtual team of 9 LA Chief executives representing the regions to consider issues facing Councils and how to deal with them.

187.	Workshops have been held around the country, with more planned, to develop and understanding of the likely impact on Local Government.
188.	Various reference papers have been released on the Gov.uk website and will be pulled together in one “landing page”.
189.	The council is undertaking its own resilience planning and part of which is the development of a No Deal Risk Log for all services. This will be reviewed an updated as necessary with actions identified to mitigate the impact on the council.
190.	The longer-term risks of Brexit in any form are not yet fully understood, and full analysis cannot be undertaken until Parliament has finalised the national policy position.
191.	A number of short term risks (within 90 days) have been identified that may impact the Council should a ‘no deal’ scenario happen. A separate report will be submitted to Cabinet on the issues and risks of Britain’s withdrawal from the European Union and the mitigations that can be put in place. The risks include: • Traffic disruption arising from delays at the Port of Portsmouth and extending along the strategic road network; • Prolonged (rather than severe) congestion in and around Southampton, affecting staff travel and service delivery; • Additional traffic impact of current major highways schemes in Millbrook and Redbridge; • Shortage of vaccines and medicines, and associated health impacts; • New Port Health IT system not being operational; • Impact on HWRCs and recycling banks if there are delays to exporting materials, with increased risk of fly tipping; • Fuel supplies at City Depot; • Rumours of shortages of food, fuel and medicines resulting in panic buying; and • Simultaneous severe weather events. It is expected that most of these risks for the Southampton area can be mitigated through known methods used during contingencies such as severe weather events.
192.	Longer-term risks of a no deal exit from the European Union in any form for Southampton include the following: • The general effects of economic shock, disruption or downturn on Southampton; • Failure of care providers due to economic shock; • Fall in the value of the pound increasing the cost of supplies; • Impact of reduced consumer activity on major businesses such as Port of Southampton and Hammerson; • Impact on Council finances of lower business rates yield; • EU nationals electing not to stay in the UK (NB approximately 60 within the Council and unknown impact on service providers to SCC); • Specific risk of shortage of workers in certain sectors e.g. social care workers and LGV drivers; • Community tensions and political instability/uncertainty; and • Distraction of Government from normal business. After the initial no-deal period – or following confirmation that no-deal is not happening – a full project will be put in place to manage these longer-term impacts.

193.	It was announced on the 28th January 2019 that local authorities across England will receive a share of £56.5M to help support their preparations for leaving the European Union (EU). Councils will receive a share of £20M this financial year (2018/19) and £20M in 2019/20 to spend on planning and strengthening their resources. A further £10M will be available in the 2019/20. This funding is intended to help local authorities with specific costs which may arise following leaving the EU. £1.5M will be allocated in 2018/19 only to local authorities facing immediate impacts from local ports, with the decision on the allocation and distribution of that funding to be announced shortly. A further £5M will be split by teams in the Ministry of Housing, Communities and Local Government, local authorities, and Local Resilience Forums for specific purposes such as strengthening preparations and supporting communities. The funding will help councils to adapt to the changes caused by leaving the EU, ensuring their local authority is prepared ahead of 29th March, whilst also protecting vital local services. Councils will decide how to allocate their funding. It is expected that money will be spent on resources like recruiting extra staff to ensure councils have the capacity to provide timely and accurate information to residents.
194.	No funding has been identified as yet to help Council's should a no deal scenario occur.
POLICY FRAMEWORK IMPLICATIONS	
195.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the council and a budget and council tax for 2019/20 must be proposed by the Cabinet for consideration by the full council under the Constitution.

KEY DECISION?	**No save for Cabinet Recommendation (v)**
WARDS/COMMUNITIES AFFECTED:	**All**
SUPPORTING DOCUMENTATION	
Appendices	
1.	Outcome Financial Appendices
2.	Medium Term Financial Strategy 2019/20 to 2022/23
3.	2019/20 Council Tax Calculation
4.	2019/20 Council Tax Precept Estimates
5.	Statutory Powers To Undertake Proposals In The Report
6.	Key Financial Risks
7.	HRA 30 Year Business Plan Operating Account
8.	HRA Major Repairs & Improvements Plan

Documents In Members' Rooms

1.	Updated ESIA's

2.	Cumulative Impact Assessment
3.	Overall Budget – Consultation Response
4.	Future of Residential Care Homes – Consultation Response & Further Details
5.	Adults Social Care – Charging Policy – Consultation Response & Further Details
6.	HRA – Service Charges – Consultation Response & Further Details
7.	Revised Adult Social Care Charging Policy

Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	**Yes**
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	**No**
Other Background Documents **Other Background documents available for inspection at:**	

Title of Background Paper(s)		**Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)**
1.		
2.		

SOUTHAMPTON IS A CITY WITH STRONG, SUSTAINABLE ECONOMIC GROWTH

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Budget As at Feb 2018 budget report	8,996	8,787	8,787	8,787	
Cross Outcome Budget Movements	1,106	322	1,743	1,743	
Allocated Inflationary Pressures					
Contract Inflation 2019/20	258	258	258	258	
2018/19 Pressures and Mitigations					
Property Services					
Property Rationalisation & Disposal Saving	1,518	1,518	1,518	1,518	
Total 2018/19 Pressures and Mitigations	1,518	1,518	1,518	1,518	
2019/20 SAVINGS					
Business As Usual Proposals	(267)	(318)	(368)	(368)	
Income Generation Proposals	(262)	(362)	(412)	(412)	
Service Delivery and Redesign Proposals					
Car Parking Introduce charges for blue badge holders in council owned off street car parks	(75)	(75)	(75)	(75)	SSEG1
Increase Itchen Bridge fees for non-residents and non-smart card users	(510)	(510)	(510)	(510)	SSEG2
Transportation: Increase bus shelter advertising income	(165)	(165)	(165)	(165)	
Transportation: Undertaking a strategic review of the transport the council provides and subsidises across the city.	0	(250)	(250)	(250)	
Investment Properties Increase rental income by disposing of low yielding properties and investing proceeds in properties that generate a higher return	0	(100)	(200)	(200)	
Total Service Delivery & Redesign Proposals	(750)	(1,100)	(1,200)	(1,200)	
Total 2019/20 Savings Proposals	(1,279)	(1,780)	(1,980)	(1,980)	
2019/20 New Pressures					
Cultural Trust	150	150	150	150	
2019/20 Pressures Subtotal	150	150	150	150	
Budget Required as at Feb 2019	10,749	9,255	10,475	10,475	
Implementation Costs*					
Cost of implementing change to Itchen Bridge charges	3	0	0	0	
Project Management Resouce for the Review of Property	50	0	0	0	
Total implementation Costs	53	0	0	0	

*Implementation Costs will be met from within exisiting resources or from a contribution from the MTFS Reserve.

CHILDREN AND YOUNG PEOPLE GET A GOOD START IN LIFE

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Budget As at Feb 2018 budget report	37,246	37,246	37,246	37,246	
Cross Outcome Budget Movements	(452.1)	(1,131.6)	(748.0)	(748.0)	
Allocated Inflationary Pressures					
Contract Inflation 2019/20	0.0	0.0	0.0	0.0	
2018/19 In year Pressures and Mitigations					
Home to School Transport (HTST)	2,057	2,057	2,057	2,057	
Mitigated by					
Changes to Policy	(300)	(300)	(300)	(300)	
Extension of Autism Resource Base at Bitterne Park Secondary School, increasing capacity to provide specialist places	(252)	(432)	(432)	(432)	
Efficiency Savings from a line by line review of the budget	(810)	(810)	(810)	(810)	
Looked After Children	3,670	3,670	3,670	3,670	
Mitigated by:					
Step Down from Residential Care	(740)	(740)	(740)	(740)	
Step Down from Residential Care	(880)	(880)	(880)	(880)	
Review of the demand profile of looked after children and additional Independent Foster Carer cases stepping down to SCC in house fostering	(1,425)	(1,667)	(1,909)	(2,151)	
Looked After Children reduction due to new focussed locality based model aimed at early intervention with cohesive and targeted multi service to prevent children becoming looked after	(236)	(595)	(953)	(953)	
High Needs - increased forecast care costs	350	350	350	350	
Other Minor pressures and mitigations	70	70	70	70	
2018/19 Pressures less mitigations	1,504	723	123	(119)	
2019/20 SAVINGS					
Business As Usual Proposals	(317)	(322)	(322)	(322)	
Service Delivery and Redesign Proposals					
Locality Model: Review and redesign early help and outreach preventative services, to deliver a new focussed locality based model which prevents children becoming looked after by the council.	(193)	(385)	(385)	(385)	CYP1
Sure Start Play Offer: review the council run play offer and seek community and voluntary sector partners to take over the direct running of this service	(223)	(445)	(445)	(445)	CYP2
Looked after children contact service: review the Contact Service which facilitates contact for looked after children with their birth families, with a view to this being delivered by a partner organisation	(150)	(150)	(150)	(150)	CYP3
SEN Reduce the funding provided to Compass School Pupil Referral Unit in line with actual demand.	(580)	(1,000)	(1,000)	(1,000)	CYP4
Early Years Reduce Early Intervention Fund which supports early years and childcare providers to expand or set up new provision	(100)	(100)	(100)	(100)	CYP5
Education Income from Sugar Tax through Healthy Pupils Fund Bid	(170)	(170)	(170)	(170)	
Total Service Delivery & Redesign Savings	(1,416)	(2,250)	(2,250)	(2,250)	

CHILDREN AND YOUNG PEOPLE GET A GOOD START IN LIFE

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Total 2019/20 Savings Proposals	**(1,733)**	**(2,572)**	**(2,572)**	**(2,572)**	
2019/20 Pressures					
Pressure due to number of Looked After Children	3,034	3,034	3,034	3,034	
Redesign an integrated Early Help service	196	196	196	196	
Other Minor Pressures	88	88	88	88	
Total 2019/20 New Pressures	**3,318**	**3,318**	**3,318**	**3,318**	
Budget Required as at Feb 2019	**39,883**	**37,583**	**37,367**	**37,125**	
Implementation Costs*					
Project Management and Subject Matter Expert required for implementation of savings.	150	150	0	0	
Total Implementation Costs	**150**	**150**	**0**	**0**	

*Implementation Costs will be met from within exisiting resources or from a contribution from the MTFS Reserve.

PEOPLE IN SOUTHAMPTON LEAD SAFE, HEALTHY, INDEPENDENT LIVES

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Budget As at Feb 2018	**46,748**	**47,528**	**47,528**	**47,528**	
Cross Outcome Budget Movements	3,063	2,556	2,476	2,476	
Allocated Inflationary Pressures					
Contract Inflation 2019/20	130	130	130	130	
2018/19 In year Pressures & Mitigations					
Long Term Care High Cost Clients	2,294	2,294	2,294	2,294	
Adult Mental Health Clients	500	500	500	500	
Provider Services Temp Staff at Glenlee and Holcroft	100	0	0	0	
Total 2018/19 Pressures and Mitigations	**2,894**	**2,794**	**2,794**	**2,794**	
2019/20 SAVINGS					
Business As Usual Proposals	**(773)**	**(823)**	**(823)**	**(823)**	
Service Delivery and Redesign Proposals					
Increase capacity of Shared Lives scheme, which matches adults who need care with carers in the community	(146)	(246)	(246)	(246)	
Work with partners to increase the amount of people who can be supported by the Urgent Response Service, which provides rehabilitation and reablement for adults in the city, helping to keep them out of hospital	(158)	(158)	(158)	(158)	
Revise the Adult Social Care Charging Policy for non-residential care and support	(250)	(500)	(500)	(500)	SHIL1
Closure of one council owned residential care homes for older people.	0	(917)	(917)	(917)	SHIL2
Total Service Delivery & Redesign Proposals	**(554)**	**(1,821)**	**(1,821)**	**(1,821)**	
Total 2019/20 Savings Proposals	**(1,327)**	**(2,644)**	**(2,644)**	**(2,644)**	
2019/20 Pressures					
Kentish Road respite centre remaining open	600	600	600	600	
Demographic Pressures			2,000	3,000	
Unachieved Savings	6,398	6,498	6,498	6,498	
Benefits Advice & Support	80	80	80	80	
Domestic Violence Service	123	123	123	123	
Total 2019/20 New Pressures	**7,201**	**7,301**	**9,301**	**10,301**	
Budget Required as at Feb 2019	**58,709**	**57,665**	**59,586**	**60,586**	
Implementation Costs*					
Project Management and Subject Matter Expert required for implementation of savings.	150	150	0	0	
Total Implementation Costs	**150**	**150**	**0**	**0**	

*Implementation Costs will be met from within exisiting resources or from a contribution from the MTFS Reserve.

PEOPLE IN SOUTHAMPTON LEAD SAFE, HEALTHY, INDEPENDENT LIVES

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Budget As at Feb 2018	**46,748**	**47,528**	**47,528**	**47,528**	
Cross Outcome Budget Movements	3,063	2,556	2,476	2,476	
Allocated Inflationary Pressures					
Contract Inflation 2019/20	130	130	130	130	
2018/19 In year Pressures & Mitigations					
Long Term Care High Cost Clients	2,294	2,294	2,294	2,294	
Adult Mental Health Clients	500	500	500	500	
Provider Services Temp Staff at Glenlee and Holcroft	100	0	0	0	
Total 2018/19 Pressures and Mitigations	**2,894**	**2,794**	**2,794**	**2,794**	
2019/20 SAVINGS					
Business As Usual Proposals	**(773)**	**(823)**	**(823)**	**(823)**	
Service Delivery and Redesign Proposals					
Increase capacity of Shared Lives scheme, which matches adults who need care with carers in the community	(146)	(246)	(246)	(246)	
Work with partners to increase the amount of people who can be supported by the Urgent Response Service, which provides rehabilitation and reablement for adults in the city, helping to keep them out of hospital	(158)	(158)	(158)	(158)	
Revise the Adult Social Care Charging Policy for non-residential care and support	(250)	(500)	(500)	(500)	SHIL1
Closure of one council owned residential care homes for older people.	0	(917)	(917)	(917)	SHIL2
Total Service Delivery & Redesign Proposals	**(554)**	**(1,821)**	**(1,821)**	**(1,821)**	
Total 2019/20 Savings Proposals	**(1,327)**	**(2,644)**	**(2,644)**	**(2,644)**	
2019/20 Pressures					
Kentish Road respite centre remaining open	600	600	600	600	
Demographic Pressures			2,000	3,000	
Unachieved Savings	6,398	6,498	6,498	6,498	
Benefits Advice & Support	80	80	80	80	
Domestic Violence Service	123	123	123	123	
Total 2019/20 New Pressures	**7,201**	**7,301**	**9,301**	**10,301**	
Budget Required as at Feb 2019	**58,709**	**57,665**	**59,586**	**60,586**	
Implementation Costs*					
Project Management and Subject Matter Expert required for implementation of savings.	150	150	0	0	
Total Implementation Costs	**150**	**150**	**0**	**0**	

*Implementation Costs will be met from within exisiting resources or from a contribution from the MTFS Reserve.

SOUTHAMPTON IS AN ATTRACTIVE AND MODERN CITY WHERE PEOPLE ARE PROUD TO LIVE AND WORK

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Budget As at Feb 2018 budget report	28,444	28,444	28,444	28,444	
Cross Outcome Budget Movements	(2,029)	(3,286)	(914)	(914)	
Allocated Inflationary Pressures					
Contract Inflation 2019/20	410	410	410	410	
2018/19 In year Pressures					
Parks And Open Spaces					
Tree Team reduced income	160	0	0	0	
Waste Collection					
Unachieved CCTV saving that relates to the depot security	80	80	80	80	
Income Shortfall	120	120	120	120	
Damage and repair costs of vehicles	105	0	0	0	
Increase garden waste charges	(30)	(30)	(30)	(30)	
Bin storage - identify & utilise suitable site	(40)	(40)	(40)	(40)	
Implementation of Alternate Weekly Collection	(600)	(600)	(600)	(600)	
Local Authority Trading Company					
LATCO Saving	33	(110)	(210)	(210)	
Regulatory Services					
Crematorium Loss of income due to competition	400	400	400	400	
Loss of Nationality checking	80	80	80	80	
Increase in cremation and burial fees in line with competitors	(64)	(64)	(64)	(64)	
Total 2018/19 Pressures and Mitigations	244	(164)	(264)	(264)	
2019/20 SAVINGS					
Business As Usual Proposals	(86)	(86)	(86)	(86)	
Income Generation Proposals	(30)	(30)	(30)	(30)	
Service Delivery and Redesign Proposals					
Refuse & recycling: review collection schedules and routes, and introduce efficiencies in the waste collection service	(146)	(146)	(146)	(146)	
Street Cleaning: review the provision of litter bins, introducing smart compactor bins where appropriate, which will reduce collection costs.	0	(50)	(100)	(100)	
Total Service Delivery & Redesign Proposals	(146)	(196)	(246)	(246)	
Total 2019/20 Savings Proposals	(262)	(312)	(362)	(362)	
2019/20 New Pressures					
Invest in Flood Risk Management service to provide resources to enable the priority flood prevention schemes to be delivered.	70	70	70	70	
LATCo Savings	550	550	550	550	
Investment Green City Charter	30	0	0	0	
Total 2019/20 New Pressures	650	620	620	620	
Budget Required as at Feb 2019	27,457	25,712	27,933	27,933	

SOUTHAMPTON IS AN ATTRACTIVE AND MODERN CITY WHERE PEOPLE ARE PROUD TO LIVE AND WORK

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	ESIA Number
Implementation Costs*					
None Expected outside of capital spend and existing resources	0	0	0	0	

*Implementation Costs will be met from within exisiting resources or from a contribution from the MTFS Reserve.

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Appendix 2

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Southampton City Council

MEDIUM TERM FINANCIAL STRATEGY

2019/20 – 2022/23

SOUTHAMPTON
CITY COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2022/23
Contents

SECTION 1. Introduction

1.1 Background

The Medium Term Financial Strategy published in 2017/18 was a step change in the Council's transformation journey being the first time a two year budget was set. This enabled the Council to set a budget in 2018/19 without the need to consult on further savings proposals. For 2019/20 a single year budget is being set to allow any implications from a new Comprehensive Spending Review for 2020/21 onwards to be factored in.

The city vision is 'Southampton – City of opportunity where everyone thrives', with the goal of achieving prosperity for all.

Building on this the Council Strategy priorities are to deliver the following outcomes for residents:

- Southampton is a city with strong and sustainable economic growth;
- Children and young people in Southampton get a good start in life;
- People in Southampton live safe, healthy and independent lives; and
- Southampton is a modern attractive city where people are proud to work and live.

In order to achieve this, we have to be a modern, sustainable organisation, which is the fifth outcome.

1.2 Aims and Purpose of the Medium Term Financial Strategy

The purpose of the Medium Term Financial Strategy (MTFS) is to provide the strategic framework and a forward looking approach to achieve long term sustainability. It is central to the delivery of priority outcomes in the Council Strategy in an affordable and sustainable way over a 5 year period. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including international, national, sub regional and the city's economic influences as well as local priorities and factors.

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council will face unprecedented changes and challenges. The MTFS recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the outcomes in the Council Strategy 2016-2020. The strategy concentrates on the principles that will provide a strong direction for the medium term.

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

The key overriding aim of the MTFS is therefore:

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

The 6 key objectives of the MTFS are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure that the Council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability;

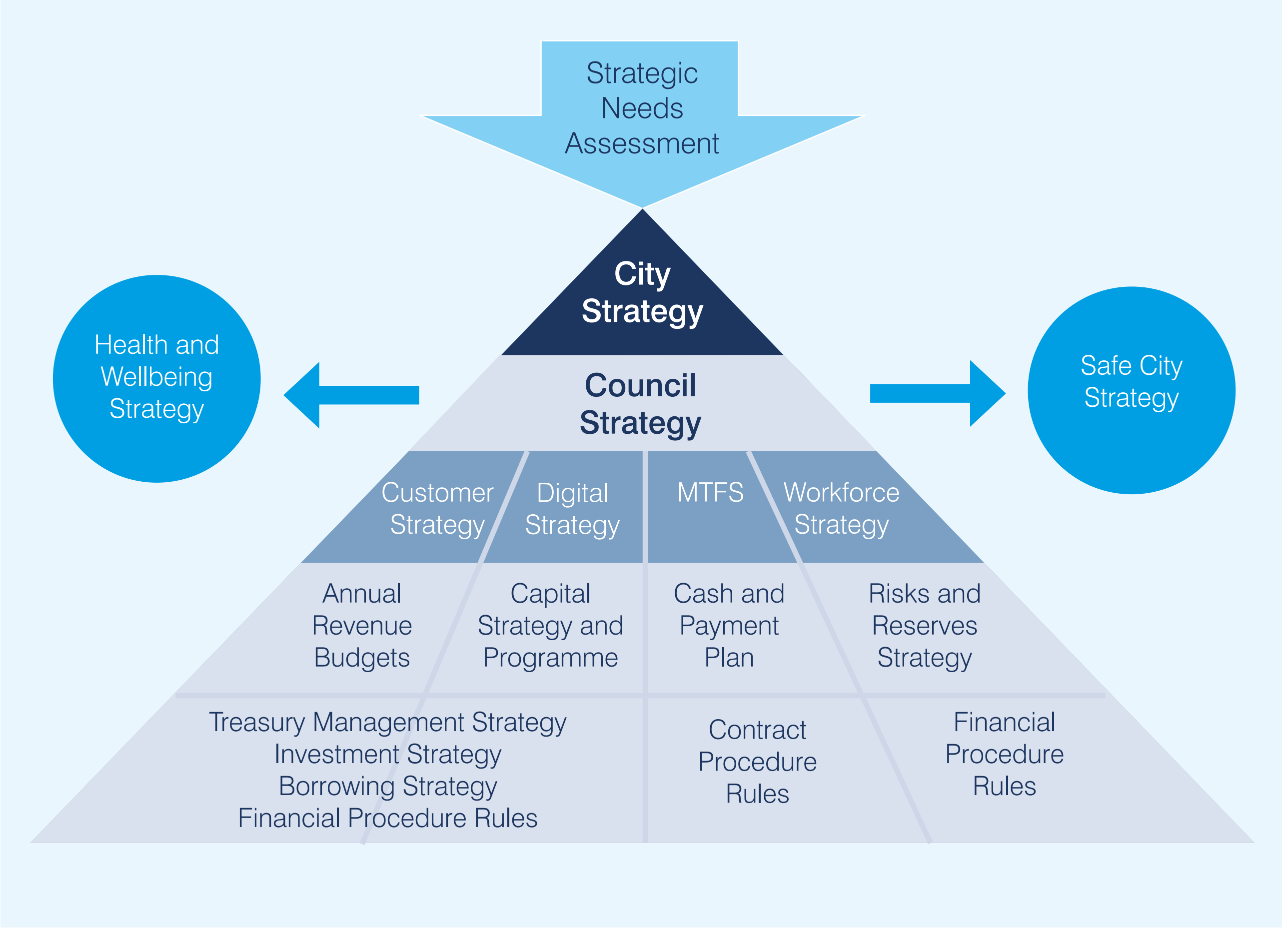
- Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- Plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and
- Ensure that the Council's long term financial health and viability remain sound.

The MTFS enables the Council to move away from the historical position of setting annual budgets in isolation to future years, to integrated service and financial planning over the medium term, using an outcomes based planning and budgeting approach. This approach focuses the planning process on the medium term facilitating a balanced budget by 2020/21 and future years, ready for the expected start of the new funding regime for local government, and the move towards further business rate retention in 2020.

The resulting Medium Term Financial Model provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances, will continue to be kept under review over the period and the Council will need to set the level of Council Tax on an annual basis.

1.3 Strategic context

There are a number of strategies, policies and plans which impact on the direction of the Council and the day to day operations therefore impacting on the MTFS. The following diagram puts the MTFS in this strategic context.



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1.4 Setting the context: key strategies and plans

1.4.1 SOUTHAMPTON CITY STRATEGY 2015-2025

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

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

It also includes four cross cutting themes:

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

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

1.4.2 SOUTHAMPTON CITY COUNCIL STRATEGY 2016-2020

In September 2016, the Council approved the Southampton City Council Strategy 2016-20. The Strategy sets out the council's strategic vision until 2020 and has four key outcomes, along with an internal outcome, which are:

Children and young people get a good start in life

Strong and sustainable economic growth

People in Southampton live safe, healthy, independent lives

Southampton is an attractive, modern city where people are proud to live and work

A modern, sustainable council

These objectives reflect the on-going commitment to ensure the Council works to put residents and the customers at the heart of everything we do reflecting the city's diversity. Such strong leadership is essential if the city is to be able to meet the immediate challenges faced in a way that means it is sustainable and able to make the most of opportunities in the future.

We expect the shape of the Council, including the types of services we deliver and how we will deliver them, will be very different over the coming years. The Council Strategy sets out that this will be achieved through:

- Taking personal responsibility;
- Working through and with others;
- Embracing change;
- Balancing commercial demands; and
- Being customer orientated.

To manage our resources effectively to deliver these priority outcomes, we have allocated resources against each of them, considered what is being achieved from the services provided and focused on what makes the most difference to residents, customers and businesses. Under each outcome, we then identified proposals to reduce costs in the following areas:

- Business as usual - being more efficient in how we manage and deliver our services on a day-to-day basis;
- Income generation - as part of the commercial agenda, looking to identify income generating opportunities In order to protect frontline services; and
- Service delivery and redesign - reducing or changing services

1.4.3 WORKFORCE STRATEGY

The Council's Workforce Strategy sets out a high level vision, priorities and outcomes to develop and nurture a motivated and effective workforce who will deliver the Council's priorities. The priority outcomes delivered by the Workforce Strategy will be:

- Recognised as an employer of choice;
- A high performing workforce;
- Good management across the Council;
- Evidenced based decision making, planning and delivery;
- A highly motivated and engage workforce;
- Staff empowered to make decisions;
- An effective Member Development programme for councillors; and
- Demonstrable valuing of diversity and equality.

1.4.4 CUSTOMER STRATEGY 2018-2022

The Council's vision is:

> ***We want to put all of our customers at the heart of everything we do, reflecting their feedback in the design and delivery of services, and to provide appropriate support to those who need it ensuring that customer experiences are easy, effective and convenient.***

The Customer Strategy sets out three outcomes that the Council aims to deliver for customers, and the high level actions to achieve these outcomes:

- Better customer experiences;
- Digital is the first choice for most customers; and
- Engagement with customers influences design and delivery of services.

1.4.5 DIGITAL STRATEGY 2018-2022

The Council's digital vision is of better customer experiences, greater independence and improved working through making the best use of information and technology. In particular we want to:

- Make contacting the council, finding information and doing business with us easier for our customers;
- Help the council run efficiently and work well with partners; and
- Grow Southampton's economy.

The Digital Strategy sets out four outcomes that the Council aims to deliver for customers, and the high level actions to achieve these outcomes:

- Digital is the first choice for most customers;
- Southampton has a growing digital economy;
- Digital data is secure, accurate and well-managed; and
- Public services in Southampton are digitally 'joined up'.

1.4.6 OTHER MAJOR STRATEGIES AND POLICIES

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

The two other key financial strategies are detailed below:

1.4.7 CAPITAL STRATEGY

The Capital Strategy sets out the capital plans for the next five years, taking account of any capital investment required to deliver outcomes, transformational change and executive priorities. The strategy covers the same timeframe as the MTFS to ensure all plans are co-ordinated and the focus is on the medium term. The programme is reviewed annually to ensure projects are still in line with outcomes, and that the programme is affordable.

The strategy details the priorities of the Council in terms of capital expenditure and provides a framework for the Council's capital plans to be agreed and delivered within.

The Capital Strategy and Capital Programme are approved each year in February by Council.

Key issues and developments that are now incorporated in the strategy include:

- £84M for Schools Review and Expansion;
- Plans to purchase electric vehicles for the SCC fleet and new refuse collection vehicles to replace

those which fall below Euro 6 emissions ratings, to improve air quality within the City;

- Investment in solar compactor bins, with a view to generate potential efficiencies through reduced collections and smarter ways of working;
- Further expansion of the Roads Programme; and
- Removal of the Hampshire Community Bank from the capital programme as a banking license has not been granted.

1.4.8 TREASURY MANAGEMENT STRATEGY 2019/20 TO 2022/23

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

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

The core elements of the 2019/20 Treasury Management strategy are:

- To continue to make use of short term variable rate debt in 2019/20 to take advantage of the market conditions of low interest rates;
- To constantly review longer term forecasts and to lock into longer term rates through a variety of instruments, as appropriate, during the year, in order to provide a balanced portfolio against interest rate risk;
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio;
- To invest surplus funds prudently, the Council's priorities being:
    - Security of invested capital;
    - Liquidity of invested capital;
    - An optimum yield which is commensurate with security and liquidity; and
    - To approve borrowing limits that provide for debt restructuring opportunities and pursue debt restructuring where appropriate and within the Council's risk boundaries.

1.4.9 INVESTMENT STRATEGY

The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested, however it should be noted that a lower rate is an acceptable offset for higher credit and less risk, for example a covered bond.

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for the estimated £40M that is available for longer-term investment. The majority of cash used for cash flow purposes is invested in money market funds.

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

The investment rates assumed in the MTFS are included in section 1.5 Key Assumptions.

The Council is also able to make non-treasury investments such as service investments (loans/shares) and commercial property investments. Further details of non-treasury investments can be found in the Prudential Limits and Treasury Management Strategy 2019/20 to 2022/23.

1.4.10 BORROWING STRATEGY

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Details of borrowing options are included in full within the Prudential Limits and Treasury Management Strategy 2019/20 to 2022/23.

The Council currently holds £235M of loans a decrease of £16M since 31st March 2018 as part of its strategy for funding previous years' capital programmes. The balance sheet forecast shows that the Council expects the underlying need to borrow to increase by £33M in 2018/19 and a further £21M in 2019/20 bringing the estimated loans Capital Financing Requirement (CFR) to £460M.

The committed borrowing at the end of 2020 is £170M, a reduction of £103M from the forecast position at 31st March 2019. This is due to maturing debt, £36M long Term and £66M short term, which would be unsustainable without further borrowing and there is a borrowing requirement of £70M by 31st March 2020.

The borrowing rates assumed in the MTFS are included in section 1.5 Key Assumptions.

If it was cost effective the Council could also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

1.4.11 OTHER STRATEGIES AND PLANS THAT HAVE AN IMPACT ON THE MTFS

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

- Solent Economic Plan 2014-20;
- Health and Wellbeing Strategy 2017-2025;
- Southampton Better Care Plan 2017-2019;
- Safe City Strategy 2017-2020;
- Local Plan;
- Local Transport Plan and Transport Asset Management Plan; and
- Housing Revenue Account Business Plan 2018/19 to 2047/48.

1.4.12 NATIONAL AND EXTERNAL FACTORS

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

SOLENT REGION - BUSINESS RATE RETENTION PILOT

Whilst primary legislation for the implementation of 100% business rate retention has halted, the Ministry of Housing, Communities & Local Government (MHCLG) have confirmed that the Government are still committed to progressing towards this aim. In light of this work is continuing to establish the mechanism for how the system will operate including a review of a fairer funding system for need; appeals; growth incentives mechanisms; and potential reset periods.

As part of this process, applications were sought from local authorities to apply to be a 'pilot' for 100% business rate retention in 2018/19. Southampton City Council were part of a successful bid application with Portsmouth City Council and the Isle of Wight Council, known as the Solent Pilot.

The Government again requested pilot bids for 2019/20 but to now run on a 75% retention basis as it is expected that due to the legislative changes required, the most that will be achieved until that point is 75%. A bid was submitted, again for the Solent Region, on the 25th September 2018.

The MHCLG confirmed on the 13th December 2018 that the bid had been successful.

The new pilot covers the financial year 2019/20. It allows the pool to retain half the element of growth that would have been paid over to the Government under the original 50% retention model, in addition to the locally retained growth.

The arrangement assumes that the original 50% local share of growth in business rates is retained by the individual authority (including Fire & Rescue 1%), as it was before pooling. Half of what would have been the 50% Government share will be retained by the pool for future allocation.

The council's base funding position, before the pool utilises the governments share of growth, will be broadly unaffected by this change and therefore will not receive Revenue Support Grant (RSG) and will in the case of Southampton & Portsmouth be tariff authorities (the IOW council remains a top up authority).

It should be noted that it is possible for the pool to be in a loss as well as the fully expected growth position. A number of possible outcomes have been considered with Governance Arrangements in place for each outcome.

Based on the information that has been provided for each local authority for forecast 2019/20 Business Rates Income, the pool is expected to be in a growth position, with each individual authority having growth.

In an overall growth model, the growth pool of the Government Share element will be distributed using the following:

- 60% Based on Need - Provides funding to sustain public services in the greatest areas of relative need / demand as per the governments calculation of relative need;
- 30% Growth & Productivity Pot - Re-invests a meaningful proportion of growth into the local economies to stimulate further growth and productivity as well as re-balancing growth across the 3 Local Authority areas; and
- 10% Financial Stability Pot - Provides a degree of financial stability and resilience to each Member of the Pool via an Internal Levy on the Pool.

The Pool arrangements will be determined by a Governance Board comprising the Leaders of the 3 Member Authorities.

SOUTHAMPTON BUSINESS IMPROVEMENT DISTRICT

In November 2016, City Centre businesses voted in favour of the establishment of a Business Improvement District (BID). Over £1M will be generated for each year from 2017/18 - 2021/22, through a levy of 1.5% of business' rateable value in the specified BID area (with some concessions).

The funds are overseen by the businesses via a Board, and allocated for activities to improve the marketing and experience of the City Centre. Delivery must add value to Council services, for which a baseline agreement will be in place. The BID has the potential to match fund and augment existing services, to consider alternative delivery models in the future, and to lever additional resources to the City, This will support the Council's outcomes and priorities, particularly in relation to economic growth.

1.4.13 AUTUMN BUDGET 2018

The Chancellor of the Exchequer presented the 2018 Budget to Parliament on 29th October 2018. The key themes relevant to Southampton City Council were as follows:

Social Care

- The budget provides an additional £650M social care funding in 2019/20 - £240M for adult social care winter pressures and a further £410M for adults and children's social care. Local councils are to use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.
- There is an additional £45M in 2018/19 for the Disabled Facilities Grant for English councils to provide home aids and adaptations for disable children and adults on low incomes.
- The Budget provides for £84M of funding over 5 years for up to 20 local authorities, to help more children to stay at home safely with their families.

Housing and Planning

- The Housing Revenue Account borrowing cap has been abolished from 29th October 2018, enabling councils to increase house building in England to around 10,000 homes per year.

- The Housing Infrastructure Fund will increase by £500M to a total £5.5BN, unlocking up to 650,000 new homes.
- The government will make £10M of capacity funding available to support ambitious housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.
- A simpler system for developer contributions will be introduced enabling local areas to capture a greater share of uplift in land values for infrastructure and affordable housing.
- The government has launched a consultation on new permitted development rights to allow upwards extensions above commercial premises and residential properties, including blocks of flats, and to allow commercial buildings to be demolished and replaced with homes.

Roads and Transport

- The government will allocate £420M to local authorities in 2018/19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe.
- To ease congestion on local routes, the government will also make £150M of the National Productivity Investment Fund available to local authorities for small improvement projects such as roundabouts and road junctions.
- Southampton has been shortlisted for a share of £440M of competitive funding of the Transforming Cities Fund.
- £90M will be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services and digital payments and ticketing.

Waste and Recycling

- £20M is being provided to support measures to tackle plastics and boost recycling. Of this £10M will pioneer innovative approaches to boosting recycling and reducing litter, such as smart bins.
- Should wider policies not deliver the government's ambition to maximise the amount of waste sent to recycling instead of incineration and landfill, in the future it will consider the introduction of a tax on the incineration of waste, in conjunction with landfill tax, taking account of the possible impacts on local authorities.

Business Rates

- The government is cutting bills by one-third for retail properties with a rateable value below £51,000, benefitting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits.
- 100% business rates relief will be provided for all public lavatories.
- The £1,500 business rate discount for office space occupied by local newspapers will continue in 2019/20.
- Local authorities will be fully compensated for the loss of income as a result of these business rates measures.

Schools, Children and Young People

- £400M will be provided to schools in 2018/19 to spend on equipment and facilities. This equates to on average £10k per primary school and £50k per secondary school.
- The Budget provides £200M for a Youth Endowment Fund to help young people avoid a life of violence.

Other Measures

- In addition to the business rates measures for small retailers, the government will launch a £675M new Future High Streets Fund to support local areas to develop and fund plans to make their high streets and town centres fit for the future.
- £20M additional funding will be allocated to support more local authorities to meet their air quality obligations.
- The government is implementing a package of additional measures worth £1BN over 5 years

as part of the transition to Universal Credit. The amount that households with children, and people with disabilities can earn before their UC award begins to be withdrawn - the Work Allowance - will be increased by £1,000 from April 2019, benefitting households by £630 per year.

- The National Living Wage will be increased by 4.9% from £7.83 to £8.21 from April 2019.
- The government will introduce a package of reforms to strengthen the role of employers in the apprenticeship programme, including making up to £240M available to halve the co-investment rate for apprenticeship training to 5 per cent.

1.4.14 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20

The Provisional Local Government Finance Settlement (PLGFS) for 2019/20 was published on the 13th December 2018, which has led to an update of the Council's financial position. This settlement marks the final year of the 4 year settlement that was accepted by Southampton City Council (SCC) along with 97% of local authorities. The main points were:

- Consultation documents have been published on the next stage of the implementation of further business rates retention and the Fair Funding review, for implementation In April 2020.This takes into account the outcome of the consultation on relative needs which took place in early 2018. The deadline for consultation responses is the 21st February 2019;
- Southampton has been accepted as a 75% business rate retention pilot in a pooling arrangement with Portsmouth and the Isle of Wight (The Solent Region Pool), alongside 14 other new pilots. It has also been agreed that London authorities will pilot 75% business rates retention in 2019/20. Authorities that piloted 100% business rates retention in 2017/18 and 2018/19 will continue doing so in 2019/20;
- £180M of business rates levies surplus will be distributed to authorities on a needs basis - payment will be made in 2018/19 (£0.84M for SCC);
- Social Care funding announced in the Autumn Budget 2018 was confirmed;
- Rural Services Delivery Grant has increased by £16M to £81M (no impact on SCC);
- There has been no change in the New Homes Bonus baseline growth position of 0.4% in the 2019/20 settlement;
- Following a consultation in Spring 2018, a grant will be paid to authorities to eliminate negative revenue support grant allocations (no impact for SCC);
- LGFS 2018 announced that a Green Paper on future challenges in Adult Social Care would be published in the Summer of 2018. The paper is still awaited and is expected to be published before the end of 2018/19;
- The Council Tax referendum limit has been set at 3% for 2019/20 (the same as the limit for 2018/19); and
- A £24 Council Tax flexibility has been afforded to the Police and Crime Commissioner.

It should be noted that due to the roll out of Universal Credit the previous MTFS assumed the Council would not be receiving Housing Benefit Subsidy Admin Grant going forward. However it has now been confirmed that the grant will continue into 2019/20.

For Southampton the impact of the settlement in terms of grant funding can be seen in the graph below. The Central Government funding position compared to 2015/16 shows a considerable reduction in resources. For comparison purposes 2018/19, 2091/20 and future years still contains the RSG the council would have received without the Business Rates Retention Pilot. It should also be noted that the MTFS makes the assumption that Better Care Fund monies will be replaced by alternative central government funding.

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

Current Central Government Funding Position compared to 2015/16

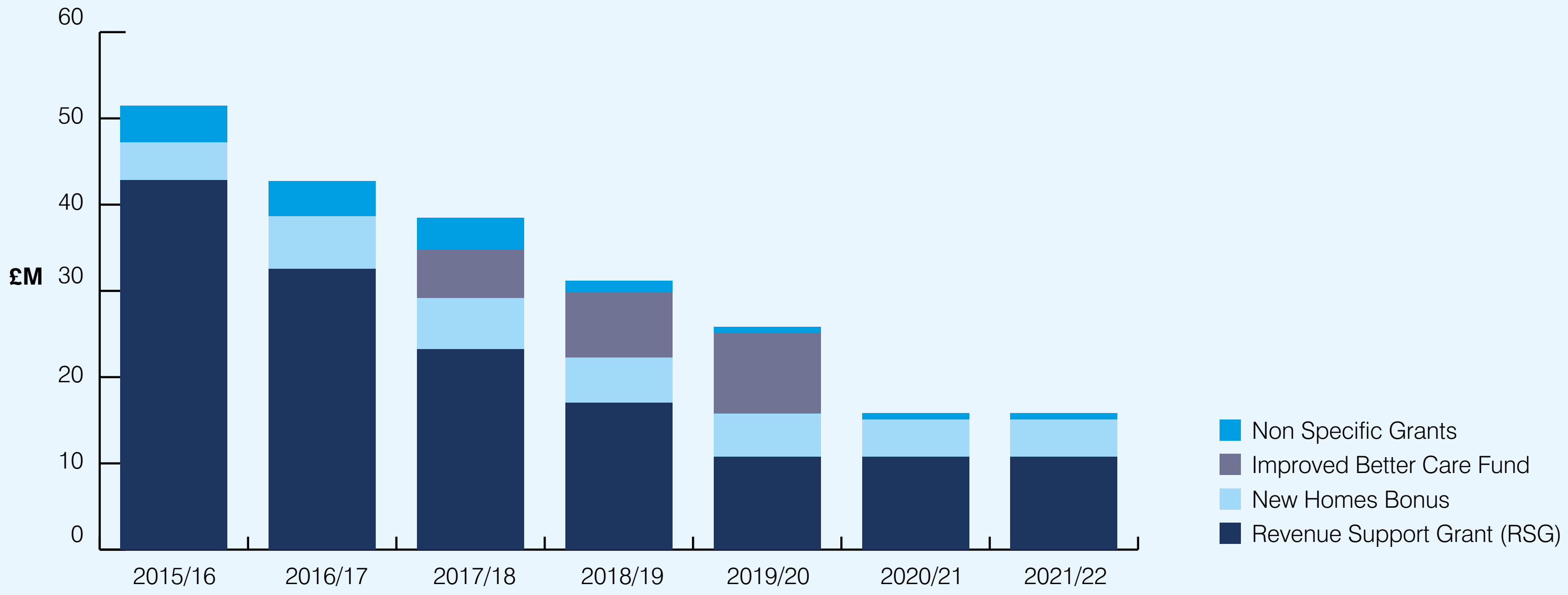

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TABLE 1 SUMMARY OF KEY ASSUMPTIONS

Item	2019/20	2020/21	2021/22	2022/23
Business Rates Multiplier	2.40%	2.10%	2.00%	2.00%
Council Tax	2.99%	1.99%	1.99%	1.99%
Social Care Precept	0.00%	0.00%	0.00%	0.00%
Council Tax Base (No of Band D Equivalents)	64,959	65,234	65,273	65,273
Revenue Support Grant *	(36.70%)	-	-	-
New Homes Bonus	(9.44%)	(19.14%)	(25.94%)	(2.45%)
Other Grants	(43.78%)	(36.56%)	0.0%	0.0%
Consumer Price Index (CPI)	2.1%	2.0%	2.0%	2.1%
Retail Price Index (RPI)	3.2%	3.1%	3.3%	3.3%
Pay Award	2.0%	2.0%	2.0%	2.0%
Superannuation	16.1%	16.1%	16.1%	16.1%
Past Service Costs and Compulsory Added Years	8.8%	8.8%	8.8%	8.8%
Investment Rates (ave)	3.36%	3.64%	3.52%	3.50%
Borrowing Rates (Long Term - GF) (ave)	3.42%	3.84%	3.60%	3.59%
Borrowing Rates (Long Term HRA) (ave)	3.47%	3.63%	3.54%	3.54%
Borrowing Rates (Long Term - consolidated) (ave)	3.45%	3.70%	3.57%	3.56%
Housing Revenue Account Housing Rent Increases	(1.00%)	3.00%	3.00%	3.00%

* Under any increases in Business Rates Retention, RSG will not be received.

1.5 Key Assumptions

Local authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be assessed.

1.5.1 Summary of Key Assumptions

Table 1 summarises the key assumptions contained within the Medium Term Financial Strategy. These assumptions will be the standard assumptions used to drive all financial planning within the Council, where applicable. Figures in brackets represent a reduction.

1.5.2 Business Rate Retention Scheme

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

Councils are able to retain a proportion of their growth in Business Rates and will also be taking the risk of reductions in Business Rates, although there are 'safety net' arrangements in place to protect against very large reductions.

The Government's original intention was to introduce a 100% BRR scheme in 2019/20, alongside introducing additional responsibilities for local government to ensure fiscal neutrality for Central Government. However, there has been significant slippage in the timetable, with the Local Government Finance Bill, which contained provision for 100% BRR, falling when Parliament was dissolved for the General Election in June 2017. In the absence of short-term opportunities to bring forward primary legislation, the Government has been considering options for reform within the existing legislative framework, with the aim of introducing 75% business rate retention in 2020/21.

A consultation was launched at PLGFS 2019 on reform of the business rates retention system. The consultation covers two broad areas:

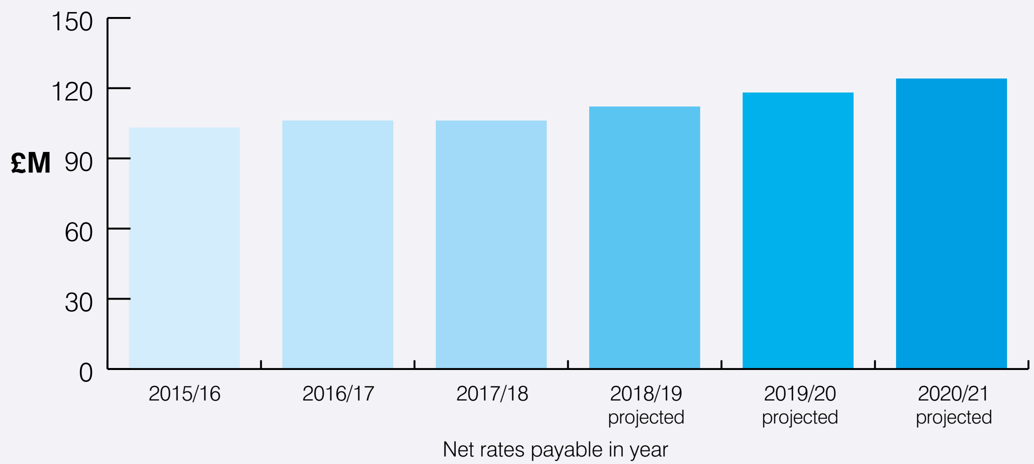
- The balance of risk and reward in the business rates retention system; and
- Mitigating volatility in income and the impact of appeal losses and valuation changes on local authorities.

A consultation is also being undertaken on the approach to measuring the relative needs and resources of local authorities. The main points to note are:

- The methodology for the needs assessment has not been updated since 2013/14 and has not kept up with demographic changes and other spending pressures;

- The Government launched a Fair Funding Review in 2017 with three strands: relative needs, relative resources and transitional arrangements;
- A consultation on relative needs, looking at ways to reduce the number of formulas involved and identifying the most important factors which drive costs of services was completed in early 2018;
- This latest consultation marks the next step in developing a new distribution methodology and seeks views on the approach to measuring the relative needs and resources of local authorities, with the aim of determining new baseline funding allocations for 2020/21;
- The consultation proposes to simplify the assessment of local authorities' relative needs by introducing a simple Foundation Formula, alongside several service-specific formulas;
- It looks at what adjustment might be made to formulas to reflect differences in costs between different geographic areas and the impact of accessibility and remoteness on costs;
- It considers how other sources of income available to local authorities, such as council tax and sales, fees and charges, will be taken into account in determining funding baselines; and
- The consultation proposes a set of principles to be used to design transitional arrangements.

Net rates payable in year



The deadline for responses to both consultations is the 21st February 2019.

There has been an assumption built into the MTFS for Business Rates growth, this is based on an assessment of new property developments undertaken in conjunction with the Growth team. This estimate is based on projects which are already in the pipeline.

The graph below shows the steady increase in business rates since 2015 and the projected future growth.

1.5.3 Council Tax

As set out in Table 1 above, the assumption is that Council Tax rises will be set at the referendum limit of 2.99% in 2019/20 and 1.99 % in future years (see also section 1.5.4 Adult Social Care Precept).

The tax base that has been assumed for each financial year is detailed in Table 1. This reflects the required adjustments as a result of the localisation of Council Tax Benefits and changes to associated funding which was implemented from 2013/14. It also incorporates growth in the tax base arising from new developments.

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

1.5.4 Adult Social Care Precept

Local authorities with Adult Social Care responsibilities were given the ability to increase Council Tax by a total of 8% over the period 2016/17 to 2019/20 through an Adult Social Care Precept with options on how this could be profiled. 2% was applied in 2016/17 with a further 3% applied in 2017/18 and again in 2018/19. The PLGFS 2019 did not provide for any further increase beyond the 8%, therefore the MTFS assumes no increase in 2019/20 or future years.

1.5.5 Revenue Support Grant

Historically a major source of funding for the Council has been the Revenue Support Grant (RSG), however since the austerity measures were introduced this grant has been reduced drastically with the Council suffering an 85% reduction between 2013/14 (when the Business Rates Retention scheme came in) and 2019/20. The MTFS reflects the allocation given in the PLGFS. It should be noted however, that RSG will not be received whilst in a Business Rates Pilot Pool or in the event of 75% Business Rate Retention being implemented in 2020/21.

1.5.6 Housing Benefit Administration Subsidy

Following the abolition of Council Tax Benefit (CTB) and the introduction of Local Council Tax Support (LCTS) in April 2013, the funding baseline for HB/CTB has remained disaggregated. The DWP is responsible for allocating the HB element to local authorities with the responsibility for distributing the remaining LCTS element being with the Ministry of Housing, Communities and Local Government (MHCLG).

Each year the HB administration subsidy has been reduced and this will continue into 2019/20 as the DWP applies a percentage reduction as an efficiency saving based on the previous year's allocation and also takes into account Universal Credit. The DWP has also applied a new methodology for allocating the subsidy in 2019/20 which has resulted in a further reduction for the Council, mitigated by transitional protection. Under the new methodology the subsidy is more closely aligned with the latest HB caseload figures. A further year's grant has been confirmed for 2019/20.

1.5.7 Public Health Grant

The Public Health Grant that was introduced in April 2013, will continue to be a ring-fenced grant to local authorities into 2019/20. The final allocation of Public Health Grant for 2019/20 is £16.45M. The Public Health Grant has reduced each year, as outlined in Table 2 below.

TABLE 2 PUBLIC HEALTH GRANT REDUCTIONS

Item	2016/17	2017/18	2018/19	2019/20
Percentage reduction in total grant from 2015/16 baseline	(2.20%)	(2.50%)	(2.57%)	(2.64%)

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

The grant reduction in 2019/20 is £0.45M, as well as inflation and pay awards needing to be contained within expenditure. The Public Health Grant may be one of the grants foregone under further Business Rate Retention.

1.5.8 Care Act

The Care Act 2014 deals with the reform of adult social care and support legislation. The introduction of the Act was to be phased over two years. Changes including the rights of Carers, a national eligibility criteria and universal Deferred Payments came into force on 1 April 2015. However the changes programmed to come into force from 1 April 2016, including the funding reforms, have now been postponed until at least 2020. This decision was taken nationally in recognition of the overwhelming pressure, across the country, within Adult Social Care services.

1.5.9 New Homes Bonus

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

Although the NHB was deemed successful in encouraging local authorities to promote housing growth in the early years, the Government consulted on a number of possible reforms to the Bonus in 2015/16. The overall objective of the reforms was to "sharpen the incentive" for housebuilding and provide additional funding for Adult Social Care. The outcome of the consultation was announced alongside the provisional local government settlement 2017/18. The Government decided to:

- Reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19; and
- Set a national baseline for housing growth to sharpen the incentive for councils to deliver more homes.

The Government chose to set the initial baseline in 2017/18 at 0.4%, below which the bonus will not be paid. This level is significantly below the average rate of growth in the 10 years before the introduction of the NHB scheme. The government also retained the option of making adjustments to the baseline in 2018/19 and future years in the event of significant and unexpected housing growth. The PLGFS 2019 confirmed that there will be no changes to the current assumptions.

Table 3 below shows the assumed NHB allocations within this MTFS.

TABLE 3 NEW HOMES BONUS ALLOCATIONS

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
New Homes Bonus Assumption	4.77	3.86	2.89	2.82

1.5.10 National Fairer Funding Schools

The Dedicated Support Grant (DSG) is allocated to the Local Authority (LA) through four separate funding blocks to support expenditure on early years, mainstream schools, pupils with high needs and central school services. The financial year 2019/20 is particularly important because it represents a major step towards a national funding formula for mainstream schools. Schools' funding for 2019/20 aligns the Southampton Local Formula with the National Funding Formula, (NFF) as agreed by Schools Forum.

A national formula to replace LA historic funding levels for early years was introduced for 2017/18 with funding levels announced for the three years up to 2019/20. The local arrangements were determined in 2017 for the same period with factors and unit values in the Early Years Single Funding Formula (EYSFF) set to reflect the new funding level and national policy changes.

It remains the Government's aspiration to fund all mainstream schools in the same manner and the factors and methods within the National Funding Formula (NFF) introduced for 2018/19 and 2019/20 are expected to prevail now for some years. Unit values of the factors within the NFF will change over time and there is likely to be some evolution and refinement to reflect changing government policy.

Southampton City Council consulted the Schools Forum on local arrangements. The Schools Forum were presented with various funding options for discussion and agreement was reached on the preferred model.

1.5.11 Other Grants

The Council receives a variety of other grants from Government and the MTFS assumes these will decline over the life of the forecast to circa £0.6M.

The result of these assumptions is that the Council will receive minimal levels of funding from Central Government by the end of the term of the MTFS.

1.5.12 Pay Inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2019. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated.

A two year pay deal was agreed for the period 2018 to 2020, with a headline flat-rate increase of 2.0%

in 2018/19 and 2019/20. A 2% pay award has been assumed from 2020/21 and future years.

1.5.13 National Living Wage

The Government's July 2015 budget announcement introduced a new premium for those aged 25 and over leading to a new National Living Wage (NLW) of £7.20 in April 2016. The Government's ambition is for the NLW to increase to 60% of the median earnings by 2020, and it will ask the Low Pay Commission to recommend the premium rate in light of this ambition going forward. Based on Office for Budget Responsibility forecasts, this means the NLW is expected to reach over £9.00 by 2020.

The Council has adopted the National Living Wage Foundation's recommended living wage, which is currently £9.00 (set in November 2018 but implemented by the Council from 1st April 2019), for payment of SCC employees, and this rate is presently higher than the initial NLW (£8.21 from April 2019).

1.5.14 General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2019. If inflation were to increase at a higher rate than anticipated then this would have an impact on the Council, not least because the Council's major contracts are uplifted by indexation linked to inflation on an annual basis.

Current indications are that - in the short term at least - an increase is unlikely (in fact inflation is currently forecast to be more or less static over the medium-term). However, the risk has been mitigated by the inclusion of amounts in contingencies to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.

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

1.5.15 Pension Fund – Employer Costs

Employer contributions to the Hampshire Local Government Pension Scheme (LGPS) were reviewed as part of the 2017 triennial revaluation process. The changes in rates were applied from April 2017. This is likely to give rise to an additional cost of £1.8M by 2019/20. This has been built into the MTFS. It has been confirmed that the position for past service costs and compulsory added years has not changed and has been included within the forecast for 2019/20. Using the current valuation from Hampshire County Council an 8.8% per annum increase for the six year period 2014/15 to 2019/20 is assumed within the MTFS Model. This has then been assumed to continue at this level to 2022/23.

Cost management for the Local Government Pension Scheme is taking place in the context of a public service pension scheme wide cost cap review under HM Treasury directions. The Local Government Pension Scheme Advisory Board has proposed a number of reforms to the Scheme in respect of the cost management process. The implications for Southampton City Council once known will be taken into account in future updates of the MTFS.

1.5.16 Public Sector Employment – Restrictions on Exit Payments

The Enterprise Act 2016 gave powers to the Government to restrict public sector exit payments through the introduction of a £95,000 cap on such payments. The Government was expected to bring forward a consultation on implementing these changes in 2018. A private member's bill to force the government into bringing forward regulations to implement the cap is currently going through Parliament. Although the original timetable has slipped, the Government has reiterated its commitment to ending six figure pay outs in the public sector.

Within the overall cap / package to limit exit payments the Government is considering proposals appropriate to each workforce to include:

- A maximum tariff and base salary on which redundancy payments are calculated;
- A cap on the value of employer funded pension 'top-ups';
- An increase in the minimum age at which an employee is able to receive an employer funded top-up;

- Other general limits on most employer-funded payments made in relation to leaving employment; and
- Consideration of any case for protection during the transition period for those with exit agreements formally agreed on terms that pre-date the new exit compensation arrangements coming into effect.

In addition to the above, new regulations came into force from April 2016 on the requirement to repay exit payments for up to 12 months after payment if further employment is undertaken within the public sector during that time for employees earning over £100,000 per annum.

1.6 Key Risks

There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFS. The macro financial systems within which the Council operates are complex and highly sensitive to a range of variables and it is therefore important that risks, that could have a material effect on the financial position of the Council, are identified and understood in terms of the potential impact (positive or negative) and the likelihood of occurrence. The foregoing recognises the importance of having adequate mechanisms in place to identify and manage risks in order to support the achievement of financial stability.

These risks are reflected in a 'Key Financial Risks' document which identifies the key financial risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned. These financial risks are reflected in the assessment of the adequacy of estimates and reserves.

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

- The lack of certainty in Government funding for future years including grants and the new fair funding formula;
- Changes in function;
- Changes in how services are funded;
- Changes in the economy;
- Changes in Members' priorities;
- Unmanaged service pressures and increases in demand;
- Council tax policy;
- Changes in legislation and government policy;
- Level of future pay awards and general inflation assumptions;
- Adequacy of contingencies in any one period;
- Business rate volatility, more frequent business rates revaluations and Business Rates Retention;
- Treasury Management and interest rate changes;
- Projected income levels from fees & charges;
- Non achievement of savings;
- Impact of National Living Wage;
- Level of provision for insurances;
- New burdens;
- Welfare reforms;
- Provider failure;
- Demographic changes; and
- Impact of the exit from the European Union, both nationally and locally.

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

1. **Financial Risk** the majority of the future years' strategy and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
2. **Political Risk** – The current Comprehensive

Spending Review (CSR) period and 4-year settlement comes to an end in 2019/20. A new CSR will take place in 2019 providing the resource envelope for local government over the medium term. Although the Government has signalled its intention to implement 75% Business Rates Retention from April 2020, there are still some uncertainties on how the scheme will operate. The impact of any new burdens that will be imposed on the local authority as a result of that or changes to grant entitlement will need to be considered in due course.

3. **Treasury Risk** – The MTFS is based on a reasonably stable global financial position going forward, taking into consideration that there are unknowns with regards to the impact that exiting the European Union may have on the Council's finances. If the assumptions change it may have a major impact on the financial position of the Council particularly around business rate income, and interest payments. The Treasury Management Strategy sets the parameters in which borrowing is undertaken and along with longer term forecasts for low interest rates the potential risk of having to undertake a major restructuring of debt seems less likely and is currently viewed as less significant than other risks faced by the Council. A taxation reserve of £5.7M is held to meet one off shortfall in business rate income as the Council's funding position becomes more reliant on this source of funding.

4. **Transformational Change** – It is essential that the Council continues to further its major change programmes to ensure the organisation is fit for the future and is sustainable. There is a degree of risk associated with this type of change, particularly as the management capacity to drive this change through reduces, and as we seek to deliver significant change against a backdrop of constrained funding.

SECTION 2. Horizon scanning

Key issues affecting council services and finances are detailed below as they can have a major impact on the Council's budget in the short and medium term. There are demographic and system-wide social-economic factors which undoubtedly impact the residents of Southampton and have an impact on the services which the council and its partners deliver across the city. The financial implications of these factors are included in the Medium Term Financial Forecast where it has been possible to make a financial assessment at this time.

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2.1 Demographics

Population forecasts for Southampton and nationally show that more people are living longer and as a consequence average life expectancy is increasing. The fastest growing sector of the population is that aged 75 to 79 years and over. Forecasts made using known residential development plans predict the over 75 to 79 years and over group will rise by 35.5% between 2017 and 2024, whilst the number of people over 75 years is forecast to grow by 3,790, an increase of 23.1%. Longer term projections, based on past trends, predict a 43.4% increase in over 65s in Southampton between 2016 and 2041.

The increasing proportion of older people creates challenges for individuals and policy makers alike, and it increases pressures on social care resources and other public services. Medical advances mean that people who previously might have died at a young age are living longer, often into adulthood, but do so frequently with long-term conditions and needs which require support to help them live as independently as possible. Likewise, with old age being extended, demands for social care and support are increasing. At the same time, the proportion of the working age population (aged 16-64 years) is only due to increase by just over 3% between 2017 and 2024 , and this may affect availability of informal and community care.

As more people live longer the number of people living with dementia will continue to rise. It is anticipated that as techniques for diagnosing dementia improve, this will add to the total number of individuals requiring support. In 2017/18, there were 1,592 Southampton residents recorded on GP registers as having dementia; this has increased from 1,573 in 2016/17. This increase represents increasing prevalence and the ageing of the population as well as increased diagnosis and recording by GPs.

2.2 National and Local Policy

2.2.1 EXITING THE EUROPEAN UNION

The decision by the UK to leave the European Union in a referendum on 23 June 2016 is likely to have a significant impact not only on local government but on both UK and EU citizens who live and work in the UK.

The UK started the process of leaving the EU by triggering Article 50 in March 2017, and will leave the European Union on the 29 March 2019.

The UK government has negotiated and published a Withdrawal Agreement and Political Declaration setting out the future framework for the future relationship between the UK and EU. It sets out the following:

- Britain's financial settlement of £39 billion with the EU to meet agreed commitments
- The post-Brexit rights of EU citizens in the UK and British citizens living in the EU
- A mechanism to prevent a 'hard border' on the island of Ireland (referred to as a 'backstop').
- Agreement of a transition period that will last until December 2020, allowing businesses time to adapt to a new relationship with the EU

The agreement also includes the non-binding Political Declaration outlining the UK and EU's ambitions for their desired future trading relationship, on which negotiations will begin after the UK leaves the EU.

The UK needs to adjust domestic legislation to ensure that it reflects the withdrawal agreement's rights and obligations. Therefore, the following Acts were passed in Parliament:

- The European Union (Withdrawal) Act

- o repeal the European Communities Act 1972 which currently provides legal authority for EU law to have effect as national law in the UK;
- o convert existing EU law into domestic law;
- o give ministers powers to make secondary legislation; and
- o enshrines March 29, 2019, as the day the UK leaves the European Union

- Taxation (Cross Border Trade) Act
  - o legislate for the UK's departure of the EU and the EU Customs Union; and
  - o allow the government to create a standalone customs regime and amend the VAT and excise regimes.

As well as passing the above Acts, the Trade Bill 2017-19 is currently in the House of Lords Committee stage, due to be completed later in 2019.

- The Trade Bill will:
  - o create powers to assist in transition of existing trade agreements;
  - o establish the Trade Remedies Authority to defend UK businesses; and
  - o enable UK to become a member of the Agreement on Government Procurement.

2.2.2 WELFARE REFORMS AND INTRODUCTION OF UNIVERSAL CREDIT (UC)

In May 2016, Universal Credit (UC) full service began to roll out nationally and was introduced in Southampton in February 2017. The national roll-out was due to completed in December 2018. Once completed, the Government plans to migrate claimants still on legacy benefits, like Jobseekers Allowance and Tax Credits, onto Universal Credit full service by 2023.

The Government has introduced some changes to the design and process of UC to address concerns relating to claimant hardship. These included:

- Removing the 7 waiting days for new UC Claimants.
- UC Advances for new UC Claimants increased and the period of repayment extended from 6 to 12 months.
- Housing Benefit 'Run-on' for new UC Claimants. Those previously in receipt of HB will continue to receive it for a further 2 weeks.
- New claims for UC from claimants in temporary accommodation will have their housing costs met through Housing Benefit. Existing temporary accommodation claimants on UC will also move to Housing Benefit.

Further changes are planned for 2019. These include, increasing UC work allowances (the amount claimants are able to earn before it affects the amount the receive in benefit) for people with children or people with limited capability for work, and reducing the maximum rate at which deductions from UC to repay an advance payment, from 40% to 30% of the standard allowance.

From April 2019, the Government will provide funding to Citizens Advice to provide advice and support to help people to make and maintain their UC claim.

These changes build a wide programme of national welfare reforms affecting both in-work and out-of-work claimants. It is difficult to predict the direct and indirect impacts locally at this time.

2.2.3 BETTER CARE FUND

The Better Care Fund commenced 1st April 2015 and is framed within a formal contract with Southampton City Clinical Commissioning Group (SCCCG) for a pooled budget under Section 75 of the National Health Service Act 2006. The purpose of the Fund is to ensure closer integration between health and social care services.

The Southampton Better Care Fund pools funding for a significantly greater number of services than the minimum required which is consistent with the ambition locally to integrate and pool resources at a scale to significantly transform its health and care services.

In 2019/20 the combined Better Care Fund budget is £108.1M and is broken down in Table 4.

TABLE 4 BETTER CARE FUND (not including Improved Better Care Fund)

	NHS Southampton City CCG	Southampton City Council	Total
	£M	£M	£M
Carers	1.24	0.18	1.42
Clusters	48.50	1.17	49.67
Rehab & Reablement	11.91	4.26	16.17
Learning Disability Packages	10.47	16.11	26.59
Prevention & Early Intervention	0	7.95	7.95
Long-Term Care	0.43	0.00	0.43
BRS	0.66	0.47	1.13
SEND team (Jigsaw)	0.52	0.64	1.16
Capital DFG	0	2.05	2.05
TOTAL	**73.75**	**32.84**	**106.58**
JES (Joint Equipment Store)	0.76	0.76	1.51
OVERALL TOTAL	**74.50**	**33.59**	**108.09**

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

In addition to the flexibility given to local authorities to raise Council Tax above the referendum threshold by a total of 8% by 2019/20, the Government has also provided £1.5 billion nationally for local authorities to spend on Adult Social Care by 2019-20. This is being given to local authorities in the form of a grant - Improved Better Care Fund. Taken together, these two measures are estimated to provide £3.5bn nationally by 2019/20 to address the demographic pressures facing the Social Care system. In the Spring Budget 2017 the Government announced an additional £2bn of funding over the three years 2017/18 to 2019/20. Table 5 sets out the position for Southampton and the proposed use of this funding.

TABLE 5 ADDITIONAL BETTER CARE FUNDING TO BE RECEIVED BY SOUTHAMPTON UP TO 2019/20

	2017/18 £M	2018/19 £M	2019/20 £M
Spring budget 2017 announced	4.98	3.16	1.57
Autumn 2015 announced	0.60	4.39	7.71
Southampton Total	**5.58**	**7.55**	**9.28**

Scheme	2017/18 £M	2018/19 £M	2019/20 £M
Direct Payments team	0.27	0.26	0.22
Carers	0.00	0.04	0.01
Client Reviews	0.00	0.03	0.02
Care Technology	0.05	0.05	0.05
Short stay replacement care	0.25	0.23	0.22
Expanded 7 day social care operation in the hospital discharge team	0.13	0.12	0.08
Speeding up hospital discharges for people with complex needs	0.50	0.73	0.53
Enhanced social care out of hours service	0.10	0.00	0.00
Additional social work capacity in new community-based social wellbeing service	0.00	0.19	0.11
Additional social work capacity in new integrated learning disability service	0.00	0.17	0.20
Meeting increased demand and complexity	1.00	0.80	0.00
Stabilising the provider market	1.33	0.23	0.07
Additional social work capacity to review care needs in accordance with the Care Act 2014	0.00	0.15	0.00
Accelerating the extra care housing programme	0.08	0.08	0.00
Extra nursing home capacity for complex needs	1.27	0.08	0.05
	4.98	**3.16**	**1.57**

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2.2.4 FORTHCOMING PARLIAMENTARY BILLS

There are a number of parliamentary bills in the pipeline which are likely to have an impact on local government finances. Whilst the full impact at this point is unclear, it is worth highlighting that the following bills are currently progressing through Parliament:

- Local Authorities (Removal of Council Tax Restrictions) Bill;
- Local Authorities (Borrowing and Investment) Bill;
- Local Housing Authority Debt Bill;
- Local Roads (Investment) Bill;
- Clean Air Bill;
- Gypsy and Traveller Communities (Housing, Planning and Education) Bill;
- Home Education (Duty of Local Authorities) Bill;
- Mobile Homes and Park Homes Bill;
- Youth (Services and Provisions) Bill; and
- Various bills related to withdrawing from the European Union.

There are also a number of policy commitments made by the Government that could impact local government, these include:

- A green paper on the future of Social Care will be published ‘soon’.

It is expected to cover care and support for older people and a parallel programme of work for working age recipients of social care packages;

- Local Digital Declaration - an initiative to help change the way councils invest in technology, share expertise and ensure members of the public are receiving the best quality digital services;
- Industrial Strategy - aimed at boosting productivity;
- Housing - in the Autumn Budget 2017 the Government announced a package of measures to increase the number of new homes built annually to 300,000 a year. In the 2018 Budget the Housing Revenue Account borrowing cap was removed, to enable councils to increase house building to around 10,000 per year.

2.3 Socio- Economic Factors

Southampton is ranked 67th on the overall Index of Multiple Deprivation (IMD) 2015 out of the 326 Local Authorities in England (1 equals the most deprived). Previously for IMD 2010 Southampton ranked 81st so has become relatively more deprived. 9 out of 15 wards have Lower Super Output areas which are within the 10% most deprived areas in the country.

However, in addition in terms of economic growth in the recently published 2018 Good Growth for Cities index, Southampton was ranked the 3rd highest city. The index takes into account jobs, income, health, work-life balance, new businesses, housing, transport, skills, environment and income distribution.

CHILDREN LOOKED AFTER

From 2010 to 2015, the rates of referrals of children and young people to Children's Social Services continued to increase year on year. However, as can be seen from the table below, from 2015 to 2018, there has been a significant decrease in the rate per 10,000 (0-17) children from 1,318.8 in 2015 to 519.4 in 2018. The latest rate of referrals is now lower than the England average (552.5).

Rates of Referrals per 10,000 (0-17) Children

Year	Southampton CC	National Averages
2015	1322.2	548.3
2016	839.1	532.2
2017	610.9	548.2
2018	519.4	552.5

Over the period from 2010 to 2015, the rate of Children Looked After (per 10,000 children aged under 18) increased by 42.9% in Southampton compared to a 5.3% increase nationally (England average). However, from 2016 to 2018, there has now been a decrease of 13% in Southampton's rate of children looked after per 10,000 aged under 18 at 104. Although Southampton's rate is still higher than the national average, it has in the last three years shown an ongoing reducing trend, whereas England average rate has increased by 4%, from 60 in 2015 to 64 in 2018.

In the year ending March 2018, the council carried out 336.3 Section 47 Child Protection investigations for every 10,000 children compared with 166.9 per 10,000 nationally and the city had 102.2 children subject to an initial child protection conference, compared with an average of 67 per 10,000 In England.

These high rates of referrals, children looked after and child protection investigations in Southampton reflect the level of need in the city. To ensure that children's needs are met at the earliest stage, a children's services transformation programme is underway.

With regard to Looked After Children (LAC) numbers, from April to November 2018, the average monthly number of children in care in the city was 512, when over 2017/18, the figure was 523 on average. In 2016/17, the monthly average was 593 and has, in 2018/19 continued to decrease month on month from June (534 children) to November (485 children).

The number has, from December 2016 onwards, remained under 600, and whilst this is good news plans to meet the LAC reduction trajectory are in place to ensure the associated savings targets are met. The average percentage of fostering placements made with independent fostering agencies, (IFA) from April to November 2018 is approx. 26.3% (an average of 135 placements over the period of April-November 2018). The cost of an IFA is, on average two to three times more expensive than an internal placement. This has created and continues to create a significant pressure on the Children Services budget.

We are continuing to review our contracts with IFAs to negotiate cost reductions as well as also increasing the numbers of 'in-house' foster carers through targeted recruitment, providing more options for in-house placements where appropriate. As at the end of November 2018, Southampton CC had 167 in-house foster carers, many of which can provide placements for more than one child.

The medium term financial forecast incorporates the impact of a reduction in cost of the number of looked after children over the next three years. For the period 2017/18 to 2019/20 the planned trajectory of fostering placement numbers is shown in the Table 6 below.

TABLE 6 LAC TRAJECTORY 2016/17 TO 2019/20

Placement/ Allowance Type	April 2018	April 2019	April 2020
In-house Fostering	244	247	243
IFA	141	146	145
Residential	34	21	11
New Independent Living Provision	6	4	3
Inter-Agency (adoption)	24	27	25
Unaccompanied Asylum Seeking Children	13	12	12
Living with Parents	57	38	36
Total	**519**	**495**	**475**

2.4 Physical-environmental factors

HOUSING

In Southampton 25% of residents live in privately rented accommodation, which is higher than the average for comparator cities at 18% and the England average of 17%. There are around 7,000 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 16,000 managed by the Council with 8,000 households on its housing waiting list. The Council has a responsibility to ensure that its own properties meet minimum decency standards. In April 2017, the Council reported that just under 8% of stock was non-decent as a result of the aging profile and the deteriorating condition of components.

The housing targets for Southampton are set out in the Southampton City Council Housing Strategy 2016-2025 and the Southampton Core Strategy 2006-2026. This currently states that there is a requirement for an additional 16,300 housing units for the city by 2026.

The Council recognises that the number of new affordable homes available needs to be increased, and the Executive has made a commitment to build 365 new homes per year. Following the removal of the Housing Revenue Account borrowing cap in October 2018, the Council is exploring the opportunity to build new council owned homes.

2.5 Wider Partnership Working

2.5.1 COMMUNITY BUDGETING

Southampton has trialled a Community Budgeting approach across skills, employment and criminal justice agencies to meet defined collective outcomes on a 'Performance by Results' (PBR) basis, and the mechanism is still in place to respond to opportunities. City Deal funded employment programmes to support long term unemployed people and young people Not in Education, Employment or Training (NEET) came to an end in December 2018. Some of this funding was delivered under contract using Payments by Results, and some new contracts using the previous City Council grant provision have been commissioned using this methodology. These programmes will be subject to evaluation to determine the effectiveness of the approach.

2.5.2 SOCIAL IMPACT BONDS

As part of The Big Lottery, funding can be secured for projects to improve service provision. One of these approaches is provision of services via a Social Impact Bond (SIB). A SIB involves an investor giving funding to a provider for a services with payment by the local authority being made when successful, normally though a preferred option of payments by results.

The benefit of this is that revenue savings can be achieved for the local authority and the investor looks to receive a 6%-8% return on their investment. If a successful bid is made to the Big Lottery they can provide up to 15% of the total cost of a SIB scheme.

The council does not currently have any SIB schemes in place, however it will continue to explore areas where they may prove beneficial.

2.5.3 ONE PUBLIC ESTATE

Southampton continues to be involved in the national One Public Estate Programme which is delivered in partnership by the Local Government Association and the Office of Government Property (OGP) within the Cabinet Office. This programme seeks to bring about change through joint working with other public sector partners focusing on the delivery of jobs, homes, reducing running costs and income from property sales. The Southampton One Public Estate Board which includes regeneration from across the public sector in the city has been successful in securing funding from this programme for investigating a range of projects which have joint working opportunities.

SECTION 3. The financial challenge

3.1 Forecast Financial Position 2019/20 – 2022/23

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

Where possible factors described in the preceding sections have been built into the financial modelling to ascertain the forecast financial position. The graph below demonstrates the funding gap to 2022/23 as reported to Council in February 2019.

Table 7 below shows the current summary position, with the detail being included in Annex 1.

This shows the Council is required to make £11.6M savings over the period to 2022/23. There is an expected increase in expenditure of £9.8M and a reduction in income of £1.8M.

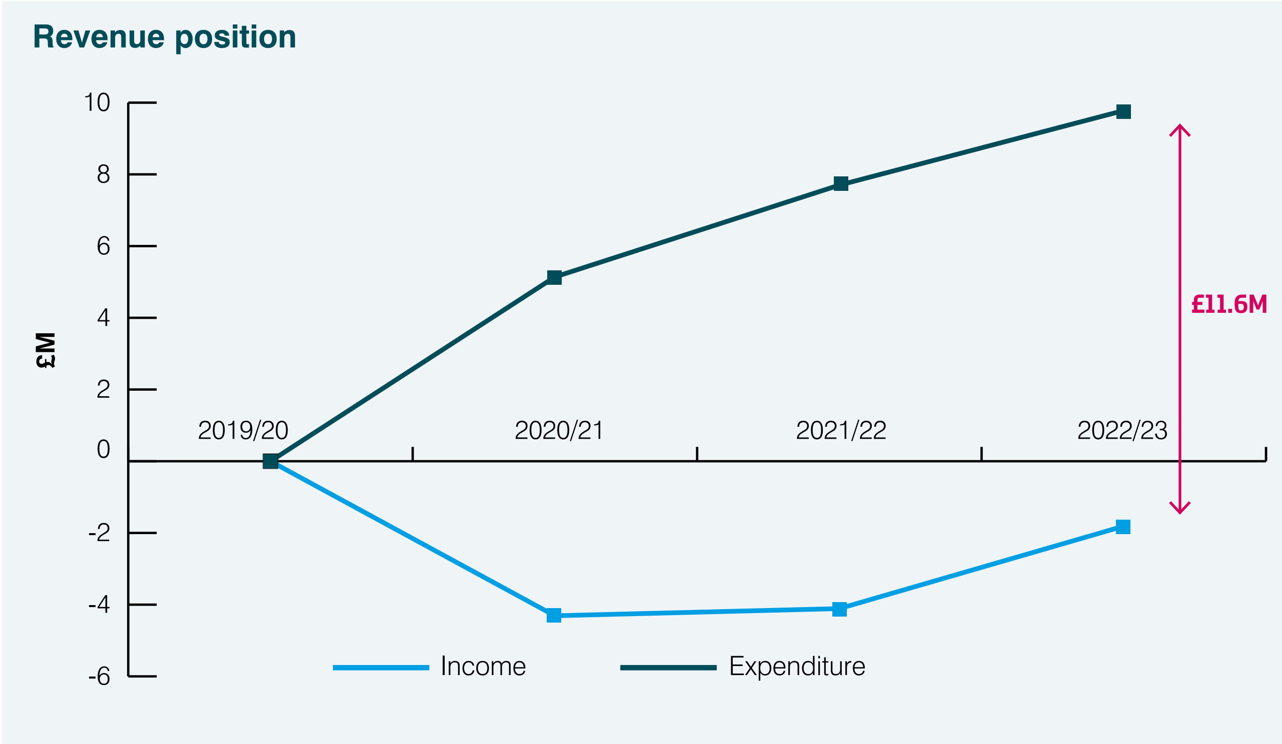

TABLE 7 SUMMARY OF SAVINGS REQUIREMENTS

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Net Expenditure	190.60	195.74	198.30	200.38
Baseline Funding	(190.60)	(186.28)	(186.47)	(188.77)
SAVINGS REQUIREMENT	**0.00**	**9.46**	**11.83**	**11.60**

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3.2 Pressures

Table 8 summarises the pressures that have been included in the medium term financial forecast in annex 1. These have arisen from the issues described in the preceding sections as well as pressures that have been identified via the individual service areas through regular financial monitoring and budget setting.

TABLE 8 SUMMARY OF PRESSURES

Outcome	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Southampton is a city with Strong Sustainable Growth	1.77	1.77	1.77	1.77
Children & Young People get a Good Start in Life	4.88	4.10	3.50	3.26
People in Southampton live safe, healthy, independent lives	10.09	10.09	12.09	13.09
A sustainable modern council	0.10	0.10	0.10	0.10
Southampton is an attractive and modern city, where people are proud to live and work	0.86	0.46	0.36	0.36
TOTAL PRESSURES	**17.71**	**16.52**	**17.82**	**18.58**

3.3 New investments

Capital investments linked to Council Priorities have been included in the updated Capital Programme 2018/19 to 2022/23. In addition, a further investment is to be made in developing the Council's Green Strategy Charter. A sum of £0.03M has been allocated to help facilitate the creation of this charter, alongside partners. Further investment is expected once the plan has been developed. Any revenue implications will be built into the MTFS in due course as relevant.

3.4 Income Generation

The Council's approach regarding income generation is to maximise opportunities where possible and income generation forms a key strand of the Council's Commercialisation Strategy. Income generation targets form part of the overall savings programme to reduce the Council's budget gap. Once proposals are more certain the income generation assumptions contained within the Medium Term Financial Model will be revised.

3.5 Key Financial Commitments

The Council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitments. Whilst these contracts can be monitored and performance managed to ensure they deliver value for money, it can be lengthy and more difficult to renegotiate these contracts to reduce expenditure. The financial health of these major contractors is kept under review as part of the monitoring arrangements.

The current commitments are:

A) PFI Schools

A PFI contract was approved by the Government to significantly improve the quality of the buildings in three of the City's secondary schools and to provide additional places in two of them.

The contract with Pyramid Schools (Southampton) Ltd started on the 29 October 2001 and will terminate on 31 December 2031. The annual fee (Unitary Charge) is £6.69M supported by an income stream (PFI credits from Government) of £3.86M.

The Department for Education (DfES) have supported the Council in reviewing the PFI contracts with the aim of driving out savings. The Council is working with the three schools, Pyramid and their sub-contractor, Interserve, to identify opportunities to reduce the variable costs of the PFI.

Based on current projections there is an expected shortfall in funding estimated at £3.5M by the end of the Agreement in 2031 mainly due to revised inflation factors as measured by the Retail Price Index (RPI) and reduced payback from a sinking fund set up in 2010 to generate funds to pay for Unitary Charges of the project. A review is in progress to determine how the shortfall can be addressed and it is anticipated that this review will be completed in 2019/20.An action plan is being developed. Additionally, negotiations with the three PFI schools are underway in order to agree a new Deed of Variation in order to mitigate this pressure.

Savings have already been made by 'mothballing' unused classroom facilities and further proposals are being investigated to find savings from other areas within the contract. The further options currently being reviewed include:

- Relaxing hand-back conditions;
- Removing Soft Services;
- Lifecycle;
- Refinancing;
- Change in Law; and
- Insurance.

B) Hampshire Waste Contract

In 1996 the Council entered into a tri-partite arrangement with Hampshire County Council and Portsmouth City Council, in respect of Waste Management Services from Veolia Environmental Services. The contract involved the building and running of three Energy Recovery Facilities, two Material Recycling Facilities and the provision of waste management services. The original contract was for a 25 year period until 2025 and has been extended to 2030. The Council is delivering savings in the contract, which is due to the agreed contract extension. The annual cost to the council is approximately £7.7M per annum.

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

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

D) Strategic Services Partnership (SSP)

The Council outsourced Customer Services, Local Taxation and Benefits, Procurement, Information Technology, Printing, Health and Safety and Human Resources operations to Capita via the SSP in October 2007. In July 2018 the Council made the decision to terminate the contract and bring these services back in house by July 2019.

E) Highways Service Partnership (HSP)

The HSP with Balfour Beatty Living Places commenced on 4 October 2010 and has been extended to run until 3 October 2025 following agreement of a package of savings and changes to the contract. The services covered include highway maintenance, scheme delivery, network management, winter gritting and asset management.

The annual Lump Sum is £2.9M. Current capital and miscellaneous variable spend through the contract is around £10M p.a.

F) City Watch

The City Watch contract commenced on 1 October 2012 and has been extended to run until 3 October 2025. The services provided include public safety CCTV cameras and their monitoring, Intelligent Traffic Systems, asset management, Housing Concierge and asset investment and routine repairs.

The annual Lump sum payment for the services is £1.2M.

G) Street Lighting PFI

The Street Lighting PFI was designed to support significant investment in the city's street lighting estate during its first five years of 'Core Investment'. The Government awarded the Council £28M of PFI Credits to replace approximately 16,500 lighting columns and convert 10,250 lanterns to create new energy efficient lighting, white light output and install Remote Monitoring and Central Management Systems. The contract commenced on 1 April 2010 and is for a duration of 25 years. The Service Provider is Tay Valley Lighting (Southampton) who sub contract day-to-day management and operations to SSE. The annual 'Unitary Charge' is currently £4.0M. Energy costs associated with the contract are variable but are around £0.7M p.a.

H) Leisure Services

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

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

I) Southampton Guildhall

The Council entered into a contract on 10 February 2003 with Live Nation (formerly known as Clear Channel) to manage Southampton Guildhall. The contract expires in 2023 and is extendable by a further five years. The net cost of the contract is £0.5M p.a. which consists of a management fee or subsidy. Live Nation pay the Council £0.3M for service and energy charges.

3.6 Collection Fund

The assumptions made around Council Tax and NDR are reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation.

The forecast position for Southampton City Council's share of the Collection Fund, utilising the Key Assumptions is shown in Table 10 below.

TABLE 10 COLLECTION FUND ASSUMPTIONS

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Council Tax - General Precept	92.71	95.12	97.22	99.06
Council Tax - Adult Social Care Precept	7.04	7.04	7.04	7.04
Business Rates	78.06	55.90	58.27	59.36

*It should be noted that 2019/20 is a 75% business rate retention pool pilot year and that the one off benefit from the pool will be utilised in 2020/21.

3.7 Housing Revenue Account

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

The main points to note are:

- Following the Chancellor's announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous Southampton City Council HRA 'debt cap' of £199.6M has been removed, and there is now the emphasis for councils to plan their new build strategy and financing at a local level. The process for identifying priorities and sites for new build developments is now taking place and is expected to form the basis of a new delivery strategy in 2019.
- The capital spending plans include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years.
- Investment in existing properties can be achieved within the previous borrowing limit of £199.6M, also known as the 'debt cap'. Additional borrowing provision above this amount has only been made for regeneration/stock replacement.

- A provision of £131M (including inflation adjustment) is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 30 years. This provision has been phased between year 4 and year 30 of the Plan.
- The revenue budget meets the minimum balances of £2M over the life of the Plan.

There has been an increased requirement for capital expenditure in 2019/20 to fund the additional costs of the identified remedial works following the Grenfell Tower disaster. There has also been an additional cost pressure for the capital programme in relation to further regeneration works required for the Townhill Park scheme. These pressures, alongside the additional savings requirement for a Reduction in Contribution to Capital Funding from revenue financing has meant that additional borrowing has been required in 2019/20, as well as a deferral in repayment of loans which have instead been refinanced over a longer period of time. The HRA 30 year Business Plan is still sustainable, and the cost pressures are all expected to be short term occurrences.

The Welfare Reform & Work Bill 2015 - 16 imposed a 1% per annum reduction in rents charged to tenants for a 4 year period from 2016 to 2020. Savings proposals for the years 2016/17 to 2018/19 have been agreed at previous February Full Council budget setting meetings. For 2019/20, there is a budget gap of £3.15M and increasing to £6.57M (a further £3.42M) in 2019/20. A budget savings proposal was put to Cabinet for approval in February 2019 to take effect for the 2019/20 financial year.

The 2019/20 financial year contains a 53 week rent year, which takes place every 6 to 7 years, taking into account the 'spare' days that make up a regular 365 day, 52 week year. The Universal Credit arrangements for a 53 week rent year are currently still under review by Central Government, so an appropriate adjustment to the provision for bad debt has been taken into account for the residents in receipt of Universal Credit.

3.8 Capital

Planned Capital Expenditure and the associated financing is detailed within the Capital Programme report for approval by Council in February 2019. The impact of revenue saving proposals for 2019/20 and future years along with any Executive Commitments on the Capital Programme have been considered by the Council's Capital Board and have been integrated into the proposed Capital Programme for 2018/19 to 2022/23. The proposed Programme totals £406M and includes £184.1M for the General Fund and £221.6M for the HRA. The General Fund Capital Programme includes the following major commitments:

- £80.4M for the secondary schools review and expansion programme;
- £18.4M for integrated transport schemes; and
- £4.7M for electric vehicles and replacement refuse collection vehicles.

Consideration has also been given to the most appropriate use of Capital Resources in supporting the programme and meeting the Executive Commitments and the desired Outcomes for the City. All the revenue implications of the capital projects are built into both the General Fund Estimates and Housing Revenue Account Business Plan.

3.9 General Fund Balance

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

The Service Director Finance & Commercialisation recommends that the minimum level of the General Fund Balances should be £10.0M. This is derived by taking a risk-based approach to assessing the overall General Fund Revenue Account, including reviewing income volatility and realism of income targets, interest rate exposure, third party provider risks, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

Balances should only be used to fund one-off revenue expenditure; any one–off draw from balances should be prudent, and subject to agreement by the Chief Financial Officer.

Annex 1 details the expected level of General Fund Balance going forward after contributions have been made to fund the capital programme and to support the revenue programme. The balance is forecast to be £10.0M at the end of 2018/19.

3.10 Earmarked Reserves

As well as maintaining a risk based General Fund balance the Council can also set aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items.

The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government funding; the subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the Council.

In light of the increasing level of risk and uncertainty identified within the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken. Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside. The most significant risk reserves are listed below:

Medium Term Financial Risk Reserve

Following on from the compilation of the Council's MTFS, and the identification of the risks that are currently in the funding system, demand pressures and the potential for savings to be delayed as the Council goes through a period of major change, monies have been set aside to mitigate these risks on a non-recurrent basis.

Taxation Reserve

Due to the volatile nature of business rates, the possible recession in 2019/20, the intended move to 75% Business Rate Retention in 2020/21, and the unknown consequences of exiting the European Union, monies have been set aside to mitigate against any loss of income from both this and council tax, to enable a smoothing of the impact should the anticipated level of income not be achieved.

Capital Funding Risk Reserve

The Council now has a number of options available for the use of capital receipts to meet the cost of both revenue and capital projects. Monies have been put aside to meet the potential shortfall in or timing of receipt of capital funding to mitigate the impact on the general fund revenue account.

Digital Strategy Reserve
(Formerly Transformation Reserve)

To ensure the Council can continue to transform and innovate in order to reduce costs whilst improving outcomes, a reserve is set aside to pump prime this activity.

Organisational Design Reserve

The reserve holds monies to meet the financial cost of redundancies as a result of organisation design changes for the period of the MTFS.

Bearing in mind the current pressures detailed in the report it is recommended that should any underspends or additional monies become available during each financial year they are applied to the key risk reserves with a recommendation that at the end of 2018/19 the Taxation Reserve is given priority.

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

3.11 Efficiency Plan

As part of the Local Government Finance Settlement announced in December 2015 the Government gave local authorities the offer of a 4 year settlement and additional flexibility regarding the use of capital receipts, providing the Council publish an Efficiency Plan.

Full Council gave approval to the Efficiency Plan and to accept the 4 year funding settlement at its meeting in September 2016. The MHCLG was informed of the acceptance of this offer on the 14th October 2016. It should be noted that this is a minimum funding guarantee.

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The full efficiency plan is contained in Annex 2 of this strategy. However the Efficiency Strategy is included within the next section.

3.11.1 EFFICIENCY STRATEGY

Considering the continued financial challenge facing the Council there has been an increased need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them. This programme has in part been achieved with elements, such as digitalisation and commercialisation, currently in the early stages of progress. These are the main drivers to ensuring the council has a balanced and sustainable set of services.

The Efficiency Strategy can been seen as a number of streams:

Operating Model

A new operating model has been introduced and included the implementation of a new organisation structure to support outcome based budgeting and reduce budget envelopes. This was achieved by reducing the top layers of the Council so the Council's structure reflects a smaller number of management layers with broader spans of control. The Council is, in the main, a people driven organisation, with a large proportion of our expenditure is linked to staff costs. As such, the restructuring in support of the new operating model extended beyond the management tiers mentioned above. Further phases of staff consultation and restructures have been and are being undertaken and implemented linked to the Outcome Based Planning & Budgeting process to identify level and needs for services and support.

Digital

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

Service Excellence & Prioritisation

A Service Excellence review has enabled an 'organisational development' programme that looks to address the need for efficiencies through the deployment of performance management and improvement processes aimed at freeing up staffing capacity as well as addressing service standards, through a planned and better focus on service objective setting, KPI management and measurement, workflow, and agile team based working.

HR policies and procedures

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

Procurement & Contract Management

A review of the Council's expenditure on third party service provision, including the re-procurement of services to secure better market rates, as well as a more fundamental look and consideration of the actual need for future services and the introduction of measures that can help suppress demand in the first place.

Commercialisation

A Commercialisation Strategy has been developed. The principles of the strategy have been implemented to ensure that there is a co-ordinated, focused approach to maximise commercial opportunities where available, providing a positive contribution to the Council's overall financial sustainability whilst enhancing the reputation of the Council in the provision of its services.

The Commercialisation strategy is intended to be an overarching strategy that aims to support the provision of high to medium quality services at a competitive price, but in most instances the price needs to cover the total cost of providing the service. The Council will provide the right services, to the right markets, at the right time and at the right price. It is also recognised that in some areas a valid commercialisation strategy will be to retreat from provision.

The strategy is to ensure where possible that the Council is maximising profit either through increasing use of profitable services delivered and/or minimising costs at the same time as utilising the council's brand and enhancing its reputation leading to sustainable growth.

One option being considered is the use of a Local Authority Trading Company.

Council Companies & Partnership Arrangements

In July 2018 the Council made the decision to terminate its long term contract with its Strategic Partner and bring these services back in house by July 2019.

Additionally, Southampton City Council on the 15th of September 2014 entered into a limited liability partnership with PSP Facilitating Limited and PSP Southampton LLP for a minimum period of 10 years. The aims and aspirations of the Partnership are as follows:

- Overall to be a facilitating organisation and development partner for the Council enabling it to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operation properties and investment properties;
- To undertake specific regeneration opportunities by entering into land transactions that achieve the success Criteria in a way that maximises the commercial benefits of the Sites;
- To act as a facilitating organisation giving the Council choice as to how it pursues its asset management plans; and
- To assist in achieving broader social, economic and environmental outcomes.

A partnership sharing agreement is drawn up for each specific opportunity that developed through the LLP and will be dependent on the nature of the activity to be undertaken.

Further, the Council is currently reviewing options to set up further companies as required to support large scale development opportunities working in collaboration with funding partners. In particular to support the affordable housing programme and extra care housing.

Prevention and Early Intervention Approach

The Council has also embarked on a programme of reshaping its resources to invest in prevention and early intervention to achieve better outcomes for residents and reduce costs in the longer term. The first areas of focus are social care services for children and adults.

3.12 Outcomes Based Planning and Budgeting

The Council introduced a focused approach on Outcomes Based Planning and Budgeting in 2017/18 which looks at utilising decreasing resources towards agreed priorities and outcomes. Work will continue to further implement this process.

The Council has reviewed its current expenditure on an outcomes basis and from this baseline point has determined what the appropriate level of spend needs to be to deliver on its agreed priorities, within the financial envelope available.

The outcome based budgeting process, along with the introduction of business academies, has been continued in setting the 2019/20 and future years budgets and will continue to be refined to ensure resources are directed towards the agreed priorities.

3.13 Addressing the Budget Gap

The Council has a current budget gap of £11.59M up to the end of 2022/23. The approach to addressing this gap can be seen within a number of work programmes;

- Business as usual monitoring and budget reviews throughout the year;
- The implementation of outcome based budgeting to clearly link business planning and budgeting and focus on service outcomes;
- A review of major contracts;
- The progression of the Council's digitalisation agenda, with the introduction of an Enterprise Resource Programme; and
- The continued implementation of the commercialisation agenda.

3.14 Managing Budgets and Forecasting

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

In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a quarterly basis.

Accountability and Responsibility

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

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

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

Where pressures are identified action plans are required to be agreed and implemented in year which look to address in year pressures and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

Intensive Care meetings have recommenced. It is expected that these meetings and the requirement for action plans will continue into 2019/20, with an overarching expectation that pressures arising must be accommodated within the overall service budgets.

Finance Business Partnering

A Finance Business Partnering service was created in the Finance Service restructure in 2017 in order to support Service Directors and Managers in the financial management of their services.

The main focus of the Finance Business partner in supporting services is to:

- Look at a specific business problem and propose solutions based on research and insight;
- Perform and analyse benchmarking against other areas and services to drive business decision making;
- Work with business intelligence to understand activity and cost drivers;
- Support services to look at the totality of investment against objectives;
- Support services to focus on being sustainable;
- Support services in developing business cases;

- Work to better understand, manipulate and extract better outcomes from contracts – improving deliverables and forward planning procurement exercises;
- Perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions; and
- Support with project managing change through greater involvement in strategic decision making.

3.15 Governance Framework for Updating and Monitoring the Medium Term Financial Model

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

Conclusion

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This MTFS provides a robust framework for setting the budget for 2019/20 and ensuring the Council remains in a sustainable financial position over the medium term. The current forecast position is still very challenging. The Council will have seen a significant reduction in its grant funding alongside increasing demand for services and funding reducing at an unprecedented rate. This has, however, given the opportunity for the Council to reshape how it currently operates and interact with its customers and to develop the Outcomes and Priorities for the Council in the provision of services to the City.

The 2019 Spending Review, implementation of the Fair Funding Review and changes to the Business Rate Retention Scheme are likely to present further challenges. However, participation in the 100% Business Rates Retention (BRR) pilot in 2018/19 and the opportunity to be part of the 75% BRR pilot in 2019/20 has afforded the council some insight into the funding opportunities in the medium term and the potential for additional growth funding to support the wider Solent Region.

Appoved budget as at Feb 2018	Approved 2018/19 budget £M	Forecast changes £M	Revised 2018/19 budget £M	Approved 2019/20 budget £M	Forecast changes £M	Revised 2019/20 budget £M	Approved 2020/21 budget £M	Forecast changes £M	Revised 2020/21 budget £M	Approved 2021/22 budget £M	Forecast changes £M	Revised 2021/22 budget £M	Approved 2022/23 budget £M	Forecast changes £M	Revised 2022/23 budget £M
Southampton is a city with Strong Sustainable Growth	9.56	3.35	12.92	9.00	1.75	10.75	8.79	0.47	9.25	8.79	1.69	10.48	8.79	1.69	10.48
Children and Young People In Southampton Get a Good Start In Life	40.96	1.03	41.99	37.25	2.64	39.88	37.25	0.34	37.58	37.25	0.12	37.37	37.25	(0.12)	37.12
People in Southampton live safe, healthy, independent lives	53.24	7.46	60.70	46.75	11.96	58.71	47.53	10.14	57.67	47.53	12.06	59.59	47.53	13.06	60.59
Southampton is an attractive, modern city where people are proud to live and work	29.55	(6.29)	23.26	28.44	(0.99)	27.46	28.44	(2.73)	25.71	28.44	(0.51)	27.93	28.44	(0.51)	27.93
A Modern Sustainable Council	23.33	4.90	28.23	20.47	(0.18)	20.29	19.03	(1.89)	17.14	19.03	(2.28)	16.75	19.03	(2.28)	16.76
Other Inflationary Pressures	5.25	(0.91)	4.34	13.16	(2.96)	10.20	19.41	0.96	20.37	19.51	(2.96)	16.55	19.51	(2.97)	16.54
Outcome Expenditure	**161.90**	**9.54**	**171.44**	**155.06**	**12.23**	**167.29**	**160.44**	**7.28**	**167.73**	**160.54**	**8.11**	**168.66**	**160.54**	**8.87**	**169.42**
Capital Asset Management	11.39	(0.44)	10.95	17.69	(1.36)	16.33	19.99	(2.63)	17.36	19.99	(1.32)	18.67	19.99	0.00	19.99
Levies & Contributions	0.63	0.00	0.63	0.63	0.00	0.63	0.63	0.00	0.63	0.63	0.00	0.63	0.63	0.00	0.63
Other Expenditure & Income & Centrally Held Allocations	6.94	(5.88)	1.07	11.88	(5.84)	6.03	15.12	(6.10)	9.02	15.12	(5.79)	9.33	15.12	(4.79)	10.33
Transfer to Reserves	(1.18)	1.18	0.00	0.00	0.31	0.31	0.00	1.00	1.00	0.00	1.00	1.00	0.00	0.00	0.00
NET REVENUE EXPENDITURE	**179.70**	**4.40**	**184.10**	**185.26**	**5.34**	**190.60**	**196.18**	**(0.45)**	**195.74**	**196.28**	**2.01**	**198.30**	**196.28**	**4.09**	**200.38**
Funding															
Other Government Grants	(1.51)	(4.40)	(5.91)	(0.70)	(4.07)	(4.77)	(0.70)	(0.60)	(1.30)	(0.70)	(0.55)	(1.25)	(0.70)	0.09	(0.61)
Revenue Support Grant	0.00	0.00	0.00	(10.79)	10.79	0.00	(10.79)	0.00	(10.79)	(10.79)	0.00	(10.79)	(10.79)	0.00	(10.79)
New Homes Bonus	(5.20)	0.00	(5.20)	(5.00)	0.23	(4.77)	(4.30)	0.44	(3.86)	(4.30)	1.41	(2.89)	(4.30)	1.49	(2.82)
New Homes Bonus Returned Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adult Social Care Grant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Top Up Grant	28.29	0.00	28.29	(4.55)	14.67	10.12	(4.55)	0.00	(4.55)	(4.55)	0.00	(4.55)	(4.55)	0.00	(4.55)
S31 Business Rates Grants	(6.14)	0.00	(6.14)	(4.11)	(2.04)	(6.15)	(4.16)	(1.51)	(5.67)	(4.24)	(0.23)	(4.47)	(4.24)	(0.31)	(4.55)
Collection Fund Account															
Business Rates	(93.35)	0.00	(93.35)	(48.77)	(21.87)	(70.64)	(51.18)	2.80	(48.38)	(52.36)	1.65	(50.71)	(52.36)	0.56	(51.80)
Southampton is a city with Strong Sustainable Growth - Business Rates Growth	(5.86)	0.00	(5.86)	(5.91)	(1.50)	(7.42)	(5.97)	(1.55)	(7.52)	(5.97)	(1.58)	(7.56)	(5.97)	(1.58)	(7.56)
Business Rates Retention Pool Growth Funding					(3.23)	(3.23)		(2.05)	(2.05)						
Council Tax	(86.95)	0.00	(86.95)	(88.80)	(1.00)	(89.80)	(90.68)	(1.00)	(91.68)	(92.62)	(1.00)	(93.62)	(92.62)	(2.84)	(95.47)
Adult Social Care Council Tax Levy	(6.99)	0.00	(6.99)	(7.04)	0.00	(7.04)	(7.04)	0.00	(7.04)	(7.04)	0.00	(7.04)	(7.04)	0.00	(7.04)
Southampton is a city with Strong Sustainable Growth - Council Tax Growth	(2.00)	0.00	(2.00)	(2.63)	(0.28)	(2.91)	(2.71)	(0.73)	(3.44)	(2.76)	(0.83)	(3.59)	(2.76)	(0.83)	(3.59)
Collection Fund Surplus	0.00	0.00	0.00	0.00	(4.00)	(4.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDING	**(179.70)**	**(4.40)**	**(184.10)**	**(178.31)**	**(12.30)**	**(190.60)**	**(182.08)**	**(4.20)**	**(186.28)**	**(185.35)**	**(1.13)**	**(186.47)**	**(185.35)**	**(3.43)**	**(188.77)**
Savings Requirement	**(0.00)**	**(0.00)**	**(0.00)**	**6.95**	**(6.96)**	**(0.00)**	**14.10**	**(4.65)**	**9.46**	**10.94**	**0.88**	**11.83**	**10.94**	**0.66**	**11.60**

Housing Revenue Account

HOUSING REVENUE ACCOUNT	2018/19 budget £M	2019/20 budget £M	2020/21 budget £M	2021/22 budget £M	2022/23 budget £M
Net rent Income	(69.63)	(69.66)	(70.54)	(72.47)	(74.07)
Service charges & other income	(2.82)	(3.42)	(3.87)	(3.96)	(4.04)
RTB Admin	(0.13)	(0.10)	(0.10)	(0.10)	(0.10)
TOTAL INCOME	**(72.58)**	**(73.18)**	**(74.51)**	**(76.53)**	**(78.21)**
Management	21.57	21.12	21.89	22.58	23.07
Contribution to Depreciation Reserve	19.53	19.95	20.51	21.10	21.47
Responsive & Cyclical Repairs	14.79	15.03	15.33	15.52	15.63
Other Revenue spend	0.10	0.17	0.12	0.12	0.13
Total service expenses	**55.99**	**56.27**	**57.85**	**59.32**	**60.30**
Capital Charges	6.16	6.49	6.65	6.90	7.04
Repayment of loans	5.96	10.32	10.01	0.25	4.00
Revenue Contribution to capital spending	4.47	0.10	0.00	12.76	9.57
TOTAL EXPENDITURE	**72.58**	**73.18**	**74.51**	**79.23**	**80.91**
Savings Requirement	0.00	0.00	0.00	2.70	2.70
(Surplus) /Deficit for the Year	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

CAPITAL PROGRAMME - 2018/19 TO 2022/23

Programme	Forecast 2018/19 £M	Forecast 2019/20 £M	Forecast 2020/21 £M	Forecast 2021/22 £M	Forecast 2022/23 £M	Total £M
Adults	0.73	0.63	0.50	0.00	0.00	1.86
Aspiration, Schools and Lifelong Learning	12.92	23.92	28.27	11.96	18.63	95.70
Clean Growth & Development	10.56	1.81	0.00	0.00	0.00	12.37
Community Wellbeing	2.49	1.94	0.00	0.00	0.00	4.43
Finance and Customer Experience	5.74	1.98	0.00	0.00	0.00	7.72
Homes and Culture	0.60	1.82	0.00	0.00	0.00	2.42
Transport and Public Realm	38.37	18.22	3.01	0.00	0.00	59.61
TOTAL GENERAL FUND PROGRAMME	**71.41**	**50.32**	**31.78**	**11.96**	**18.63**	**184.11**
Housing Revenue Account	53.16	54.63	39.21	35.60	38.99	221.59
TOTAL CAPITAL PROGRAMME	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**	**405.70**
Capital Programme Financing						
Council Resources - GF Borrowing	(24.47)	(16.50)	(11.63)	(11.96)	(18.59)	(83.15)
Council Resources - HRA Borrowing	(19.25)	(10.33)	(8.54)	(3.61)	(6.91)	(48.64)
Capital Receipts	(18.43)	(10.03)	(2.86)	(3.16)	(2.42)	(36.90)
Contributions	(12.95)	(11.16)	(7.23)	(7.79)	(8.13)	(47.26)
Capital Grants	(24.66)	(21.17)	(19.30)	0.00	(0.04)	(65.17)
Revenue Financing	(10.66)	(5.79)	(0.99)	0.00	0.00	(17.44)
HRA - MRA	(14.15)	(29.97)	(20.44)	(21.04)	(21.53)	(107.13)
TOTAL PROGRAMME FINANCING	**(124.57)**	**(104.95)**	**(70.99)**	**(47.56)**	**(57.62)**	**(405.70)**

ANNEX 2. SOUTHAMPTON CITY COUNCIL Efficiency Plan 2018/19 to 2021/22

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Background

The Council's City Efficiency Plan for the period 2018/19 to 2021/22 incorporates the detail contained within the Medium Term Financial Strategy (MTFS) and its Capital Strategy. These are framed by the overarching City Vision and Council Strategy.

The four key outcomes for the Council are:

- Southampton is an attractive and modern city where people are proud to live and work;
- Children and Young People in Southampton get a good start in life;
- Southampton is a city with strong sustainable economic growth; and
- People in Southampton live safe, healthy independent lives.

The Council Strategy summaries these Outcomes and the priorities of the Council, how we expect to deliver the services that support those priorities, and who the Council will work in partnership with to deliver those services.

Medium Term Financial Strategy

The MTFS focuses on determining the financial position for the period up to and including 2022/23 and takes into account major issues affecting the Council's finances, including international, national and regional economic influences as well as local factors and priorities. It identifies risks and looks to mitigate those risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk.

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

The MTFS recognises the key role that financial resources play in the future delivery of services, and enabling the effective planning, management and delivery of those services. A sustainable MTFS is therefore key to the effective delivery of the Council's overall aims of achieving better outcomes for residents.

Addressing the Budget Gap

The Council has a current budget gap of £11.60M up to the end of 2022/23. The approach to addressing this gap can be broadly seen within three work programmes;

- Business as usual monitoring and budget reviews throughout the year;
- The implementation of outcome based budgeting to clearly link business planning and budgeting and focus on service outcomes;
- A review of major contracts;
- The progression of the Council's digitalisation agenda, with the introduction of an Enterprise Resource Programme; and
- The continued implementation of the Commercialisation Strategy.

Efficiency Strategy

Considering the continued financial challenge facing the Council there has been an increased need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them. This programme has in part been achieved with elements, such as digitalisation and commercialisation, currently in the early stages of progress.

These are the main drivers to ensuring the council has a balanced and sustainable set of services.

The Efficiency Strategy can been seen as a number of streams:

Operating Model

A new operating model has been introduced and included the implementation of a new organisation structure to support outcome based budgeting and reduce budget envelopes. This was achieved by reducing the top layers of the Council so the Council's structure reflects a smaller number of management layers with broader spans of control. The Council is, in the main, a people driven organisation, with a large proportion of our expenditure is linked to staff costs. As such, the restructuring in support of the new operating model extended beyond the management tiers mentioned above. Further phases of staff consultation and restructures have been and are being undertaken and implemented linked to the Outcome Based Planning & Budgeting process to identify level and needs for services and support.

Digital

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

Service Excellence and Prioritisation

A Service Excellence review has enabled an 'organisational development' programme that looks to address the need for efficiencies through the deployment of performance management and improvement processes aimed at freeing up staffing capacity as well as addressing service standards, through a planned and better focus on service objective setting, KPI management and measurement, workflow, and agile team based working.

HR Policies and Procedures

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

Procurement & Contract Management

A review of the Council's expenditure on third party service provision, including the re-procurement of services to secure better market rates, as well as a more fundamental look and consideration of the actual need for future services and the introduction of measures that can help suppress demand in the first place.

Commercialisation

A Commercialisation Strategy has been developed. The principles of the strategy have been Implemented to ensure that there is a co-ordinated, focused approach to maximise commercial opportunities where available, providing a positive contribution to the Council's overall financial sustainability whilst enhancing the reputation of the Council in the provision of its services. The Commercialisation strategy is intended to be an overarching strategy that aims to support the provision of high to medium quality services at a competitive price, but in most instances the price needs to cover the total cost of providing the service. The Council will provide the right services, to the right markets, at the right time and at the right price. It is also recognised that in some areas a valid commercialisation strategy will be to retreat from provision.

The strategy is to ensure where possible that the Council is maximising profit either through increasing use of profitable services delivered and/or minimising costs at the same time as utilising the council's brand and enhancing its reputation leading to sustainable growth. One option being considered is the use of a Local Authority Trading Company.

Council Companies & Partnership Arrangements

In July 2018 the Council made the decision to terminate its long term contract with its Strategic Partner and bring these services back in house by July 2019.

Additionally, Southampton City Council on the 15th of September 2014 entered into a limited liability partnership with PSP Facilitating Limited and PSP Southampton LLP for a minimum period of 10 years.

The aims and aspirations of the Partnership are as follows:

- Overall to be a facilitating organisation and development partner for the Council enabling it to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operation properties and investment properties;
- To undertake specific regeneration opportunities by entering into land transactions that achieve the success Criteria in a way that maximises the commercial benefits of the Sites;
- To act as a facilitating organisation giving the Council choice as to how it pursues its asset management plans; and
- To assist in achieving broader social, economic and environmental outcomes.

A partnership sharing agreement is drawn up for each specific opportunity that developed through the LLP and will be dependent on the nature of the activity to be undertaken.

Further, the Council is currently reviewing options to set up further companies as required to support large scale development opportunities working in collaboration with funding partners. In particular to support the affordable housing programme and extra care housing.

Prevention and Early Intervention Approach

The Council has also embarked on a programme of reshaping its resources to invest in prevention and early intervention to achieve better outcomes for residents and reduce costs in the longer term. The first areas of focus are social care services for children and adults.

Outcomes Based Budgeting

The Council introduced a focused approach on Outcomes Based Planning and Budgeting in 2017/18 which looks at utilising decreasing resources towards agreed priorities and outcomes. Work will continue to further implement this process. The Council has reviewed its current expenditure on an outcomes basis and from this baseline point has determined what the appropriate level of spend needs to be to deliver on its agreed priorities, within the financial envelope available.

The outcome based budgeting process, along with the introduction of business academies, has been continued In setting the 2019/20 and future years budgets and will continue to be refined to ensure resources are directed towards the agreed priorities.

Earmarked Reserves

As well as maintaining a risk based General Fund balance the Council can also set aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items. The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government funding; the subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the Council. In light of the increasing level of risk and uncertainty identified within the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken. Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside. The most significant risk reserves are listed below:

Medium Term Financial Risk Reserve

Following on from the compilation of the Council's MTFS, and the identification of the risks that are currently in the funding system, demand pressures and the potential for savings to be delayed as the Council goes through a period of major change, monies have been set aside to mitigate these risks on a non-recurrent basis.

Organisational Design Reserve

The reserve holds monies to meet the financial cost of redundancies as a result of organisation design changes for the period of the MTFS.

Taxation Reserve

Due to the volatile nature of business rates, the possible recession in 2019/20, the intended move to 75% Business Rate Retention in 2020/21, and the unknown consequences of exiting the European Union, monies have been set aside to mitigate against any loss of income from both this and council tax, to enable a smoothing of the impact should the anticipated level of income not be achieved.

Capital Funding Risk Reserve

The Council now has a number of options available for the use of capital receipts to meet the cost of both revenue and capital projects. Monies have been put aside to meet the potential shortfall in or timing of receipt of capital funding to mitigate the impact on the general fund revenue account.

Digital Strategy Reserve (Formerly Transformation Reserve)

To ensure the Council can continue to transform and innovate in order to reduce costs whilst improving outcomes, a reserve is set aside to pump prime this activity.

Organisational Design Reserve

The reserve holds monies to meet the financial cost of redundancies as a result of organisation design changes for the period of the MTFS. Bearing in mind the current pressures detailed in the report it is recommended that should any underspends or additional monies become available during each financial year they are applied to the key risk reserves with a recommendation for the end of 2018/19 to add to the Taxation Reserve first.

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

ANNEX 3. Adult Social Care – Demand Management Strategy

	Demand Management	What we are doing
1	Managing demand through the front door of the Council - How is the front-end of the service set up in relation to handling initial enquiries, and how many of these can be resolved by the staff who handle them?	• 80% reduction in referrals • 3 conversations at front door • Re-Ablement as default
2	Managing demand from acute hospitals - How is the response from the acute hospital managed and what are the outcomes for older people?	• 30% reduction in Delayed Transfers of Care • Simplified discharge • Integration • Discharge to Assess
3	Effective short-term interventions for people in the community - How are the initial offers of help to people designed, and can they respond with short term help that may reduce or eliminate the need for longer term solutions e.g. access to re-ablement?	• Development of Rehab and reablement • Sensory clinics • Trusted professionals • URS – 41% not needing on going care
4	Designing the care system for people with long term needs - How does the way in which we assist people help them to gain opportunities for greater independence in the longer term. How do we assist people to manage their long-term conditions?	• Community clusters • Social Wellbeing hubs • Strength based model • Resilient communities • Getting people healthier
5	Developing a workforce to manage demand - To what extent has the work force been commissioned/managed (trained) to deliver the best possible outcomes for citizens at all of these different levels?	• System wide workforce development • Strength based adult social care certificate • Investing in trainee AMHPs • BIA training increased
6	Governance and management arrangements to sustain improvements - How are managers in the authority and commissioned providers held to account for the delivery of the desired outcomes from the care system?	• Quality Assurance framework for provider services • Quality and assurance improved in private providers due to Integrated Commissioning Unit/Clinical Commissioning Group • Quality Assurance Safeguarding role developed • Principal social worker • Development Plan

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Demand Management	What we are doing
Managing demand through the front door of the Council - How is the front-end of the service set up in relation to handling initial enquiries.	The front end of the service operates a combined children's advisory service and a multi-agency safeguarding hub (MASH) - to enhance information sharing and assessment activity in relation to safeguarding children. This part of the service experiences high levels of contacts. We are commencing an extension of our local support offer to families across City wide children's centre and family hub resources. We will adjust current referral pathways for Early Help cases – moving from multiple entry points to a single one step front door, which is aligned to the current MASH. The benefit in creating a designated Early Help referral pathway is greater consistency for referrers, decision makers and also an improved level data across localities; so we can designate resources accordingly. A parallel benefit is a clearer message to communities about our offer, a quicker response time and the pathway being aligned to MASH will support any emerging safeguarding concerns. It is expected that this revised approach will impact on demand by local resources engaging families earlier in partnership with the local voluntary community sector, early years providers and schools.
Managing Looked After Children numbers within the service.	We operate a range of services for looked after children (LAC) where designated teams fulfil statutory functions, both in relation to assessment and provision. Connected to the above activity, we are developing jointly delivered, targeted services within localities and partnering with schools clusters and other agencies. This co-delivered activity will hold a primary objective of tackling root issues that cause family breakdown and will effectively respond to early safeguarding concerns; seeking to address difficulties that may impact a child coming into care. Our expected outcome is to promote family stability and safety and thereby reduce demand for specialist high cost services, including access to care. In addition to this, those children who are subject to formal safeguarding interventions by the LA, are being further supported by Social Workers and Edge of Care practitioners, so as to maximise potential for change and preventing the need for a care episode.

Demand Management	What we are doing
	We have also enhanced the family support offer so to as to create opportunity for children to return home after being in care for a period of time. It is expected that this will reduce the numbers of cases escalating toward care proceedings and ultimately becoming LAC.
Manage demand by keeping Children and Young People within the City to achieve reunification and permanency.	We are targeting activity to achieve permanence for Looked after Children as early as possible. This activity has close senior management oversight. We are exploring options, such as family reunification, special guardianship, long term fostering or adoption to return children who are placed outside of the City. This includes options such as small residential arrangements and/or specialist fostering services. We will also work with independent providers to tailor make service provision.
Developing a workforce to manage demand - To what extent has the work force been commissioned/managed (trained) to deliver the best possible outcomes for children at all of these different levels?	We have extended our Workforce Development offer across children's services to reach a wider group of practitioners, this includes a boarder range of formal training opportunities, and work based developmental sessions and post graduate training opportunities. A whole service model of restorative practices is currently being rolled out and we are using university establishments as partners and evaluators. We have invested in programmes to recognise good practice, commitment and success and we have increased recruitment and retention in light of this.
Managing increasing children placements required in schools.	The demand strategy for the provision of sufficient places for pupils to attend school is a statutory requirement. Recent increases across the Primary phase in pupil numbers is now starting to have an effect on secondary schools. Analysis has been undertaken by the Service to project a strategic view of future placements required over the next 5 years including High Needs and a series of programmes including the construction of a new school.

Demand Management	What we are doing
Governance and management arrangements to sustain improvements	We have embedded a revised Quality Assurance framework and we now operate a monthly performance management and oversight routine. This creates an opportunity for service development, intelligence and learning to inform our integrated improvement journey. In this work we undertake regular audits and we engage with other LA's across the region as part of a peer review network and to help measure our service functions and its outcomes. The service is subject to a range of assurance and governance processes such as the local safeguarding children's board (LSCB), the children's improvement board, the multi-agency children's board and by formal political oversight at scrutiny and corporate parenting panels, led by elected members.

Appendix 3

COUNCIL TAX CALCULATION 2019/20

	2018/19 £M	2019/20 £M	Change £M	Change %
Budget Requirement (a)	**184.1**	**191.6**	**7.5**	**4.07%**
Less NDR	(99.2)	(84.0)		
Plus Tariff	28.3	10.1		
S31 Grants	(6.1)	(4.1)		
Less RSG	0.0	0.0		
Other Central Grant Funding	(11.1)	(9.5)		
Aggregate External Finance	(88.2)	(87.5)	0.6	-0.71%
Deficit/(Surplus) on Council Tax Collection Fund	0.0	(4.3)		
Deficit/(Surplus) on Business Rates Collection Fund	0.0	0.0		
Net Grant Income (b)	(88.2)	(91.9)	(3.7)	4.19%
Amount to be met from Council Tax (a - b)	**95.93**	**99.75**	**3.81**	**3.97%**
Tax base	64,345.0	64,959.0	614.0	0.95%
Basic amount of Council Tax (Band D)	**1,490.94**	**1,535.52**	**44.58**	**2.99%**
Last years Council Tax		1,490.94		
Council Tax - General Increase	2.99%	44.58		
Council Tax - Social Care Precept	0.00%	0.00		
Total Annual Cash Increase		44.58		
Increase (Cash per Week)		0.86		
Total Increase (%)		2.99%		

Appendix 4

COLLECTION FUND ESTIMATES 2019/20

	2018/19 £000	2019/20 £000	Change £000	Change %
Southampton City Council Precept	95,934.4	99,552.7	3,618.3	3.77%
Hampshire Police Precept	11,418.7	13,061.4	1,642.7	14.39%
Fire and Rescue Services Precept	4,230.2	4,389.7	159.5	3.77%
Income due from Council Tax Payers	111,583.3	117,003.8	5,420.5	4.86%
Tax Base for Area	64,345.0	64,833.3	488.3	0.76%
Basic Amount of Tax for Band D Property	**1,734.14**	**1,804.69**	**70.54**	**4.07%**

Council Tax increase per Property Band 2019/20

	SCC Band Charge	Council Tax Increase	SCC Band Charge
Band	**2018/19**	**2.99%**	**2019/20**
A	£993.96	29.72	£1,023.68
B	£1,159.62	34.68	£1,194.30
C	£1,325.28	39.63	£1,364.90
D	£1,490.94	44.58	£1,535.52
E	£1,822.25	54.48	£1,876.73
F	£2,153.58	64.39	£2,217.97
G	£2,484.89	74.30	£2,559.19
H	£2,981.87	89.16	£3,071.03

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STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT

1. INTRODUCTION

It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

2. GENERAL POSITION

a. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a businesslike manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.

c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

3. OBLIGATION TO MAKE A COUNCIL TAX

a. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) and Part 5 Chapter 1 of the Localism Act 2011to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:

   i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),

ii. the payments it estimates it will make in the year in defraying expenditure already incurred and

iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, i.e. income. Calculations made under this section must be made before 11 March in the preceding financial year.

b. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources that will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.

c. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.

d. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.

e. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

f. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

4. DEFICIT BUDGETING

a. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.

b. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure that the estimates are reasonable and realistic and do not reflect an unlawful intention to incur a deficit. It might be appropriate at budget setting time to require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

5. BORROWING

The rules and regulations governing a local authority's ability to borrow money were altered significantly by the introduction of the Local Government and Housing Act 1989 and subsequent regulations. This has now been abolished and replaced by the self-regulating Prudential Code.

6. OTHER RELEVANT LEGISLATION

a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.

b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members’ Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

The Local Government Act 1999 (the 1999 Act) introduced a duty of Best Value, which came into force on 1st April 2000. Members need to be aware of and take account of the impact on the Council of this duty.

8. THE CONSTITUTIONAL POSITION: LOCAL GOVERNMENT ACT 2000 (THE 2000 ACT)

a. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to 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.

KEY FINANCIAL RISKS

The following table identifies the key financial risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned. These financial risks are reflected in the assessment of the adequacy of estimates and reserves. The assessment of risk is based on the following risk scoring criteria:

LIKELIHOOD (Probability)		
A - Almost Certain	> 95%	Highly likely to occur
B - Likely	↑	Will probably occur
C - Possible	50%	Might occur
D - Unlikely	↓	Could occur but unlikely
E - Very Unlikely	< 5%	May only occur in exceptional circumstances

IMPACT (Consequence)	
1 - Extreme	Loss or loss of income > £20m
2 - Major	Loss or loss of income £10m < £20m
3 - Significant	Loss or loss of income £5m < £10m
4 - Moderate	Loss or loss of income £500k < £5m
5 - Minor	Loss or loss of income £10k < £500k

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE1.	**Pay Inflation** - underestimated in the original estimates.	Possible	Moderate	*• The MTFS model approved in February 2018 is based on a pay award of 2% over the medium term.* *• It should be noted that the agreed pay award is 2% per annum for 2018/19 and 2019/20.*	Unlikely	Minor
FE2.	**Interest rates** are underestimated.	Possible	Moderate	*• Reliance placed on market intelligence provided by Treasury Management advisors.* *• Treasury Management Strategy is aligned with CIPFA Code and MHCLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.*	Unlikely	Minor
FE3.	**Existing fees and charges:** Projected levels of income within the period are not achieved and/or maintained.	Possible	Moderate	*• Fees and charges have been reviewed as part of the business planning process. If there are 'in year' shortfalls these form part of the budget monitoring processes.* *• Lower risk as existing income streams are known and are therefore more predictable*	Possible	Moderate
FE4.	**New income streams:** Projected levels of income within the period are not achieved.	Possible	Moderate	*• Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop and exit from the European Union that these levels of income will not be achieved.* *• Higher risk as it is based on new sources of income.*	Possible	Moderate
FE5.	**Volatility of Business Rates funding** given the uncertainty around impact of successful appeals .	Likely	Significant	*• The Valuations Office has undertaken a reset of rateable values from 2017/18. The provision has been reviewed in light of the revaluation and known current appeals and will be reviewed on a regular basis, at present this is deemed to be adequate.* *• Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.* *• In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.*	Unlikely	Minor

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE6.	**Increase in demand led spending pressures** (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.	Possible	Significant	• *Annual budget setting process developed in consultation with service managers* • *Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to CMT and Cabinet (Quarterly).* • *Action plans to address any significant in year budget variances are agreed with CMT with the status of the agreed actions reported to CMT on a monthly basis* • *Action plans in place that are intended to manage/reduce the number of Looked After Children* • *Additional funding for Adult Social Care has been announced by Government*	Possible	Moderate
FE7a.	Third party provider costs will increase as a result of the introduction of the **National Living Wage**	Almost certain	Moderate	• *As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget.*	Possible	Moderate
FE7b.	**Third party provider costs increase** as result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Possible	Moderate	• *ICU contract monitoring arrangements and general market oversight and intelligence*	Unlikely	Minor
FE8.	**Legal challenge to savings proposals** that could result in the proposal being either discontinued or revised.	Possible	Moderate	• *Robust budget consultation process in place.*	Unlikely	Minor
FE9.	**Pressure on returns from investment properties** in both the short and longer term.	Possible	Significant	• *There is a full and robust process around the financial and legal analysis of the individual investments.* • *Investments are not confined to the Southampton area.* • *No further property investment fund activity is planned.*	Possible	Moderate
FE10.	**Voluntary sector** is either unwilling or unable to support the delivery of certain services or activities	Possible	Significant	• Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector	Possible	Moderate
FE11.	The council's **service delivery partners** seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement.	Likely	Significant	• Central Contracts Team monitors and work closely with the council significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities.	Possible	Moderate

- **Adequacy of proposed financial reserves**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	Likelihood		Impact	Likelihood
FR1.	**Business Rate Retention & Council Tax Growth -** the council fails to collect, retain and grow business rate income	Possible	Significant	*• The assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government.* *• The current MTFS includes assumptions on growth which have been developed in conjunction with the Growth service area and recognise pipeline developments and their assumed operation dates. These will be monitored on a monthly basis as part of the standard monitoring.*	Possible	Moderate
FR2.	**Delivery of all of the agreed savings** is not achieved.	Possible	Major	*• Progress and delivery of the overall Programme and individual projects is monitored at Service Director level, by CMT, with any non achievement forming part of the normal budget monitoring action plan process.* *• CMT review the validity and achievability of projects and provide approval (or not) to projects*	Unlikely	Significant
FR3.	The Government could impose a lower **Council Tax referendum** threshold (currently 2.99%) and/or reduce or remove the **Adult Social Care Levy** (3%)	Possible	Moderate	*• Assumption is that Council Tax rises were set at just below the 3% referendum limit in 2018/19 at 2.99% and future years at 1.99% (excluding the Adult Social Care Levy).* *• The Adult Social Care Levy was only introduced as part of the Autumn 2015 Spending Review and allows local authorities with social care responsibilities to increase Council Tax by a further 3% (17-18 & 18-19). No further assumptions have been made beyond 2019-20 for any increase in this income over and above the 6%.* *• The MTFS assumes this levy will be taken in all years as the calculated increase in funding for adult social care far outweighs the income gained from this levy.*	Unlikely	Moderate
FR4.	**Slippage in capital receipts** (not accompanied by a slippage in spend).	Possible	Moderate	*• Non-receipt of any planned income will require a permanent draw from balances, additional borrowing or for savings to be found in the capital programme.* *• Impact reflects the cost of borrowing in short term (the interest payments).*	Possible	Minor
FR5.	If **building inflation** was to exceed general inflation over a prolonged period, this would have a significant adverse impact on **HRA balances** and, in turn, the business model in respect of the redevelopment and refurbishment of the SCC Housing stock.	Possible	Significant	*• Surpluses are liable to change annually, either favourably or not, and this will be reflected the annual review of stock investment needs and estimated unit rates.* *• Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget*	Possible	Moderate
FR6.	Further reduction in the Education Services Grant (ESG) through central government funding reviews as well as reductions resulting from Academy Transfers.	Almost certain	Moderate	*• Costs need to be reduced in line with reductions in funding.* *• Development of a strategy in terms of whether / what services SCC may choose to still offer to Academy Schools*	Possible	Minor
FR7.	The level of funds within the **internal insurance provisions** is inadequate to meet current or future demand	Possible	Moderate	*• The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds.* *• The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis.*	Unlikely	Moderate

- **Adequacy of proposed financial reserves**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	Likelihood		Impact	Likelihood
FR8.	**Ad hoc or unforeseen events / emergencies.**	Possible	Significant	*• The Council's Reserves may be utilised in respect of the financial impact of such an event.* *• Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme.*	Possible	Significant
FR9.	The cost of implementing the **Care Act** 2014 is greater than anticipated.	Unlikely	Moderate	*• Current assumption is for the cost of this new burden to be met by the funding allocation provided within the Better Care Fund and the new Carers and Care Act Implementation grant* *• This funding has now been included within the Revenue Support Grant and the main implications of the Care Act have been deferred until 2019-20.*	Unlikely	Moderate
FR10.	**CCG** could seek to reduce its level of contribution to the **'pooled budgeting '** arrangement with SCC	Possible	Significant	*• Ongoing relationship and dialogue with CCG re shared objectives and outcomes.*	Unlikely	Moderate
FR11.	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation **of welfare reforms**	Possible	Moderate	*The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.*	Possible	Moderate
FR12.	**Inflation increases** at a higher rate than anticipated	Possible	Moderate	*• Assumptions have been made in the forecast about the likely level of general inflation that will apply in 2018/19. CPI is currently running at 2.4% in 2018/19 reducing to 2.0% over the medium term. This has been assumed in the MTFS model.* *• Market intelligence provided by Arlingclose - independent treasury advisors* *• An amount is included in the MTFS to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile.* *• Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference.*	Unlikely	Minor
FR13.	Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Moderate	*• National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment.* *• There may be either pressure or incentives for non UK owned business to move operations back to within an EU country.* *• Treasury Management advisors are regularly updating the Council on the economic impact of exiting the European Union, the strength of the pound, inflation and interest rates.*	Likely	Moderate
FR14.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation	Possible	Moderate	*• A Projects and Change Team has been established. A full programme management process is in place including planning and risk assessment, with signficant support to major projects.*	Unlikely	Moderate
FR15.	New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur.	Possible	Moderate	*• New accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Risk Reserve will be used to manage the volatility that the timing difference may cause.* *• The Government has put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23.*	Possible	Moderate

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Southampton City Council
HRA Business Plan
Operating Account
(expressed in money terms)

		Income				Expenditure													
Year	Year	Net rent Income	Other income	Misc Income	Total Income	Managt.	Depreciation	Revenue R&M	Other Revenue spend	Total expenses	Capital Charges	**Net Operating (Expenditure)**	Repayment of loans	RCCO	**Surplus (Deficit) for the Year**	**Surplus (Deficit) b/fwd**	**Interest**	**Surplus (Deficit) c/fwd**	**Surplus (Deficit) c/fwd**
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	**£,000**	£,000	£,000	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
1	2019.20	69,751	3,426	0	73,178	(22,019)	(19,968)	(16,511)	(100)	(58,598)	(6,645)	**7,934**	0	(7,937)	**(3)**	**2,000**	**3**	**2,000**	**2,000**
2	2020.21	70,479	3,526	360	74,365	(22,720)	(20,471)	(16,813)	(116)	(60,121)	(7,067)	**7,177**	0	(7,177)	**0**	**2,000**	**3**	**2,003**	**2,003**
3	2021.22	72,484	3,628	529	76,641	(23,379)	(21,039)	(16,993)	(120)	(61,531)	(7,326)	**7,784**	0	(7,787)	**(3)**	**2,003**	**3**	**2,003**	**2,003**
4	2022.23	74,243	3,733	545	78,521	(24,057)	(21,526)	(17,150)	(124)	(62,857)	(7,538)	**8,126**	0	(8,127)	**(2)**	**2,003**	**3**	**2,004**	**2,004**
5	2023.24	75,980	3,841	561	80,382	(24,755)	(21,986)	(17,303)	(128)	(64,172)	(7,721)	**8,489**	0	(8,477)	**12**	**2,004**	**3**	**2,020**	**2,020**
6	2024.25	79,756	3,953	577	84,286	(25,473)	(22,467)	(17,478)	(133)	(65,550)	(7,812)	**10,924**	0	(10,752)	**172**	**2,020**	**3**	**2,195**	**2,195**
7	2025.26	79,605	4,075	594	84,273	(26,211)	(23,010)	(17,695)	(137)	(67,053)	(7,897)	**9,324**	0	(8,622)	**702**	**2,195**	**4**	**2,901**	**2,901**
8	2026.27	81,075	4,193	611	85,879	(26,971)	(23,624)	(17,933)	(142)	(68,670)	(8,020)	**9,188**	0	(9,245)	**(56)**	**2,901**	**4**	**2,849**	**2,849**
9	2027.28	82,571	4,315	628	87,514	(27,754)	(24,254)	(18,173)	(147)	(70,327)	(8,150)	**9,037**	0	(9,877)	**(840)**	**2,849**	**4**	**2,013**	**2,013**
10	2028.29	84,502	4,440	647	89,588	(28,559)	(24,900)	(18,412)	(152)	(72,023)	(8,280)	**9,285**	0	(9,121)	**164**	**2,013**	**3**	**2,180**	**2,180**
11	2029.30	86,891	4,569	665	92,125	(29,387)	(25,731)	(18,652)	(157)	(73,927)	(8,382)	**9,816**	0	(9,902)	**(86)**	**2,180**	**3**	**2,098**	**2,098**
12	2030.31	91,061	4,701	685	96,447	(30,239)	(26,588)	(19,151)	(163)	(76,141)	(8,416)	**11,891**	0	(11,886)	**5**	**2,098**	**3**	**2,106**	**2,106**
13	2031.32	91,706	4,838	705	97,248	(31,116)	(27,474)	(19,662)	(169)	(78,420)	(8,377)	**10,451**	(3,540)	(5,733)	**1,178**	**2,106**	**4**	**3,287**	**3,287**
14	2032.33	93,688	4,978	725	99,391	(32,018)	(28,325)	(20,187)	(175)	(80,705)	(8,340)	**10,346**	(6,912)	(4,386)	**(952)**	**3,287**	**4**	**2,340**	**2,340**
15	2033.34	95,420	5,122	746	101,288	(32,947)	(29,081)	(20,726)	(181)	(82,935)	(8,350)	**10,003**	(3,400)	(6,195)	**408**	**2,340**	**4**	**2,751**	**2,751**
16	2034.35	97,184	5,271	768	103,223	(33,902)	(29,857)	(21,280)	(187)	(85,226)	(8,333)	**9,664**	(1,722)	(4,710)	**3,232**	**2,751**	**7**	**5,990**	**5,990**
17	2035.36	100,883	5,424	790	107,097	(34,885)	(30,654)	(21,848)	(194)	(87,581)	(8,141)	**11,375**	(5,905)	(4,824)	**646**	**5,990**	**9**	**6,645**	**6,645**
18	2036.37	100,808	5,581	813	107,202	(35,897)	(31,472)	(22,431)	(163)	(89,962)	(7,984)	**9,257**	(3,900)	(4,941)	**415**	**6,645**	**10**	**7,071**	**7,071**
19	2037.38	102,670	5,743	836	109,250	(36,938)	(32,311)	(23,029)	(167)	(92,445)	(7,802)	**9,002**	(6,450)	(5,061)	**(2,509)**	**7,071**	**9**	**4,570**	**4,570**
20	2038.39	104,567	5,909	861	111,337	(38,009)	(33,173)	(23,643)	(172)	(94,997)	(7,460)	**8,880**	(5,047)	(0)	**3,833**	**4,570**	**10**	**8,413**	**8,413**
21	2039.40	106,498	6,081	886	113,464	(39,112)	(34,057)	(24,274)	(177)	(97,620)	(7,209)	**8,635**	(5,165)	(1,297)	**2,173**	**8,413**	**14**	**10,600**	**10,600**
22	2040.41	108,465	6,257	911	115,634	(40,246)	(34,965)	(24,921)	(182)	(100,314)	(6,836)	**8,484**	(8,863)	(1,423)	**(1,802)**	**10,600**	**15**	**8,813**	**8,813**
23	2041.42	112,592	6,439	938	119,968	(41,413)	(35,897)	(25,585)	(188)	(103,083)	(6,287)	**10,598**	(15,707)	(1,491)	**(6,600)**	**8,813**	**8**	**2,221**	**2,221**
24	2042.43	112,507	6,625	965	120,097	(42,614)	(36,854)	(26,267)	(193)	(105,928)	(5,733)	**8,436**	(6,760)	(0)	**1,676**	**2,221**	**5**	**3,902**	**3,902**
25	2043.44	114,583	6,817	993	122,393	(43,850)	(37,835)	(26,967)	(199)	(108,851)	(5,341)	**8,202**	(7,072)	(387)	**743**	**3,902**	**6**	**4,651**	**4,651**
26	2044.45	116,698	7,015	1,022	124,735	(45,121)	(38,843)	(27,686)	(204)	(111,855)	(5,143)	**7,737**	0	(3,214)	**4,522**	**4,651**	**10**	**9,184**	**9,184**
27	2045.46	118,852	7,219	1,051	127,122	(46,430)	(39,878)	(28,423)	(210)	(114,941)	(5,143)	**7,038**	0	(3,289)	**3,748**	**9,184**	**17**	**12,949**	**12,949**
28	2046.47	121,045	7,428	1,082	129,555	(47,776)	(40,939)	(29,180)	(216)	(118,112)	(5,143)	**6,300**	0	(3,366)	**2,934**	**12,949**	**22**	**15,904**	**15,904**
29	2047.48	125,649	7,643	1,113	134,406	(49,162)	(42,029)	(29,957)	(223)	(121,371)	(5,143)	**7,892**	0	(3,445)	**4,447**	**15,904**	**27**	**20,378**	**20,378**
30	2048.49	125,554	7,865	1,146	134,564	(50,587)	(43,148)	(30,755)	(229)	(124,719)	(5,143)	**4,702**	0	(3,525)	**1,177**	**20,378**	**31**	**21,587**	**21,587**

Agenda Item 11
Appendix 7

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Southampton City Council
HRA Business Plan
Major Repairs and Improvements Financing
(expressed in money terms)

		Expenditure			Financing						
Year	Year	Major Works & Imps	New Build & Estate Regen Costs	Total Expenditure	Borrowing	RTB 141 Receipts	Other RTB Receipts	Other	MRR	RCCO	Total Financing
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2019.20	29,152	14,271	43,423	10,824	3,473	1,292	0	19,897	7,937	43,423
2	2020.21	29,910	9,040	38,950	8,510	1,270	1,333	188	20,471	7,177	38,950
3	2021.22	30,676	3,492	34,168	3,611	354	1,376	0	21,039	7,787	34,167
4	2022.23	34,313	4,676	38,989	6,912	1,003	1,421	0	21,526	8,127	38,989
5	2023.24	31,519	4,819	36,338	3,400	1,009	1,466	0	21,986	8,477	36,338
6	2024.25	33,762	3,730	37,492	1,722	1,038	1,513	0	22,467	10,752	37,492
7	2025.26	33,099	3,561	36,661	3,050	1,068	911	0	23,010	8,622	36,661
8	2026.27	35,146	3,665	38,810	3,900	1,099	943	0	23,624	9,245	38,810
9	2027.28	35,916	3,771	39,687	3,450	1,131	976	0	24,254	9,877	39,687
10	2028.29	36,165	3,880	40,045	3,850	1,164	1,010	0	24,900	9,121	40,045
11	2029.30	35,782	3,993	39,775	1,900	1,198	1,045	0	25,731	9,902	39,775
12	2030.31	36,679	4,109	40,787	0	1,233	1,081	0	26,588	11,886	40,787
13	2031.32	32,786	4,228	37,013	1,420	1,268	1,118	0	27,474	5,733	37,013
14	2032.33	37,722	4,350	42,072	6,900	1,305	1,157	0	28,325	4,386	42,072
15	2033.34	37,459	4,476	41,936	4,120	1,343	1,196	0	29,081	6,195	41,936
16	2034.35	32,579	4,606	37,186	0	1,382	1,237	0	29,857	4,710	37,186
17	2035.36	33,439	4,740	38,179	0	1,422	1,279	0	30,654	4,824	38,179
18	2036.37	34,321	4,877	39,199	0	1,463	1,323	0	31,472	4,941	39,199
19	2037.38	35,227	5,019	40,245	0	1,506	1,367	0	32,311	5,061	40,245
20	2038.39	28,260	5,164	33,424	0	1,549	1,413	0	30,462	0	33,424
21	2039.40	29,511	5,314	34,825	0	1,594	1,461	0	30,473	1,297	34,825
22	2040.41	30,296	5,468	35,764	0	1,640	1,510	0	31,191	1,423	35,764
23	2041.42	31,101	5,627	36,728	0	1,688	1,561	0	31,988	1,491	36,728
24	2042.43	30,336	5,790	36,126	0	1,737	1,613	0	32,776	0	36,126
25	2043.44	31,467	5,958	37,425	0	1,787	1,666	0	33,584	387	37,425
26	2044.45	39,488	6,131	45,618	0	1,839	1,722	0	38,843	3,214	45,618
27	2045.46	40,530	6,308	46,838	0	1,893	1,779	0	39,878	3,289	46,838
28	2046.47	41,599	6,491	48,090	0	1,947	1,837	0	40,939	3,366	48,090
29	2047.48	42,696	6,680	49,375	0	2,004	1,898	0	42,029	3,445	49,375
30	2048.49	43,822	6,873	50,695	0	2,062	1,960	0	43,148	3,525	50,695

Agenda Item 11

Appendix 8

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DECISION-MAKER:		CABINET COUNCIL		
SUBJECT:		THE GENERAL FUND & HOUSING REVENUE ACCOUNT CAPITAL STRATEGY & PROGRAMME 2018/19 TO 2022/23		
DATE OF DECISION:		19 FEBRUARY 2019 (CABINET) 20 FEBRUARY 2019 (COUNCIL)		
REPORT OF:		CABINET MEMBER FOR FINANCE & CUSTOMER EXPERIENCE		
CONTACT DETAILS				
Author:	**Name:**	**Janette Gill** **Vicki Remsbery**	**Tel:**	**023 8083 3574** **023 8083 3376**
	E-mail	janette.gill@southampton.gov.uk vicki.remsbery@southampton.gov.uk		
S151 Officer	**Name:**	**Sue Cuerden**	**Tel:**	**023 8083 4153**
	E-mail:	sue.cuerden@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
NOT APPLICABLE

BRIEF SUMMARY
The purpose of this report is to update the Capital Strategy and to inform Council of any major changes in the overall General Fund and HRA Capital Programme for the period of 2018/19 to 2022/23, highlighting the changes in the programme since the last reported position to Cabinet in November 2018. The net result of the changes since the previous report is that the current overall programme has increased by £16.68M within the General Fund programme and £36.69M within the HRA programme.

RECOMMENDATIONS:		
It is recommended that Cabinet:		
	(i)	Notes the revised General Fund Capital Programme, which totals £184.11M (as detailed in paragraphs 6 & 30) and the associated use of resources.
	(ii)	Notes the revised Housing Revenue Account (HRA) Capital Programme, which totals £221.59M (as detailed in paragraph 6 & 30) and the associated use of resources.
	(iii)	Notes that a further £16.68M has been added to the General Fund programme and £36.69M to the HRA programme totalling £53.37M, requiring approval to spend, by Cabinet subject to the relevant financial limits. These additions are detailed in paragraphs 9 to 13 and Appendix 1.

	(iv)	Notes the net addition of £53.37M to the overall capital programme and the request for approval to spend £53.37M as detailed in paragraphs 9 to 13 and Appendix 1.
	(v)	Notes the slippage and re-phasing totalling £20.52M as set out in paragraphs 14 to 21 and as detailed in Appendix 2.
	(vi)	Notes the removal of schemes from the general fund capital programme totalling £3.90M and £12.05M from the HRA capital programme as set out in paragraphs 14 to 21 and as detailed in Appendix 1.
	(viii)	Notes that the capital programme remains fully funded up to 2022/23 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.
	(ix)	Note that a review of the Council’s capital strategy has been undertaken as detailed in Appendix 4.
It is recommended that Council:		
	(i)	Approves the revised General Fund Capital Programme, which totals £184.11M (as detailed in paragraphs 6 & 30) and the associated use of resources.
	(ii)	Approves the revised Housing Revenue Account (HRA) Capital Programme, which totals £221.59M (as detailed in paragraph 6 & 30) and the associated use of resources.
	(iii)	Approves additions of £16.68M which has been added to the General Fund programme and £36.69M to the HRA programme totalling 53.37M, requiring approval to spend. These additions are detailed in paragraphs 9 to 13 and Appendix 1.
	(iv)	Approves the addition of £53.37M to the overall capital programme and the request for approval to spend £53.37M as detailed in paragraphs 9 to 13 and Appendix 1.
	(v)	Approves the slippage and re-phasing totalling £20.52M as set out in paragraphs 14 to 21 and as detailed in Appendix 2.
	(vi)	Approves the removal of schemes from the general fund capital programme totalling £3.90M and £12.05M from the HRA capital programme as set out in paragraphs 14 to 21 and as detailed in Appendix 1.
	(vii)	Notes that the capital programme remains fully funded up to 2022/23 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and

		the use of prudent assumptions of future Government Grants to be received.
	(viii)	Approves the Council's capital strategy detailed in Appendix 4.

REASONS FOR REPORT RECOMMENDATIONS

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

DETAIL (Including consultation carried out)

CONSULTATION

3. Service Directors, Service Leads and Project Managers have been consulted in preparing the reasons for variations contained in this report.

The General Fund and HRA capital programme monitoring report summarises additions to the capital programme and slippage and rephasing since the last approved programme reported in November 2018. Each addition has been subject to the relevant consultation process which reflects the role played by Council Capital Board. The content of this report has been subject to consultation with Finance Officers for each service.

THE FORWARD CAPITAL PROGRAMME

4. Table 1 shows a comparison of the latest capital expenditure for the period 2018/19 to 2022/23 compared to the previously reported programme.

Table 1 – Programme Comparison

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Latest Programme	124.57	104.95	70.99	47.56	57.62	405.70
Previous Programme	140.09	71.27	74.92	47.41	18.63	352.32
Variance	**(15.52)**	**33.68**	**(3.93)**	**0.15**	**38.99**	**53.37**

5. The overall increase in the programme of £53.37M principally exists within the Transport and Public Realm Portfolio, the Clean Growth and Development portfolio and the Housing Revenue Account. These changes are detailed in paragraphs 9 to 13.

6. Table 2 below shows that the General Fund Capital Programme has increased by £16.68M with a further increase of £36.69M in the HRA Capital programme. Appendix 1 provides details of each variation by portfolios.

CHANGES TO THE OVERALL PROGRAMME

Table 2 – Changes in Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Adult Care	1.86	1.86	0.00
Aspiration, Schools & Lifelong Learning	95.70	92.78	2.92
Clean Growth & Development	12.37	11.86	0.51
Community Wellbeing	4.43	3.74	0.69
Finance and Customer Experience	7.72	7.72	0.00
Homes and Culture	2.42	2.42	0.00
Transport and Public Realm	59.61	47.04	12.56
General Fund Programme	**184.11**	**167.42**	**16.68**
HRA Programme	**221.59**	**184.90**	**36.69**
Total Capital Programme	**405.70**	**352.32**	**53.37**

7. Appendix 1 summarises the changes by individual portfolio programmes to new schemes and changes to existing schemes, both where approval has been previously given by Council, Cabinet or made under delegated authority to amend the programme since the last reported position in November 2018 and where approval is sought as part of this report. The changes, where approval has already been given total £8.73M.

The proposed programme includes the following net additions, totalling £44.64M, which require approval as part of this report. Approval is being sought where the overall scheme value is greater than the Delegated Decision Notice approval limit, as set out in the Financial Procedure Rules (FPR). These are summarised in Appendix 1.

8. Table 3 summarises the items of major spend by Outcome.

Table 3 – Major Schemes by Outcome

Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Children and young people getting a good start in life	Early Years Expansion	0.56	0.65	0.00	0.00	0.00
	Play Area Improvements	0.38	0.32	0.00	0.00	0.00
	Primary Review & Expansion	1.12	1.12	0.00	0.00	0.00
	School Capital Maintenance	1.84	2.06	0.00	0.00	0.00

Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Children and young people getting a good start in life	School Expansion Programme Phase 3	1.70	2.38	0.06	0.00	0.04
	Secondary Review & Expansion	4.24	13.88	28.21	11.96	18.59
	Springwell Expansion	3.40	3.83	0.00	0.00	0.00
	Other	0.06	0.00	0.00	0.00	0.00
Southampton is a city with strong, sustainable economic growth	Affordable Housing	0.93	0.00	0.00	0.00	0.00
	Bridges Programme	1.64	0.25	0.00	0.00	0.00
	Integrated Transport	9.86	5.85	2.16	0.00	0.00
	Millbrook Roundabout	0.43	0.00	0.00	0.00	0.00
	Property Investment Fund	0.00	0.00	0.00	0.00	0.00
	Solar Powered Compactor Bins	0.00	1.00	0.00	0.00	0.00
	Other	9.31	0.27	0.85	0.00	0.00
People in Southampton lead safe, healthy independent lives	Anti-Terror Measures	1.05	0.00	0.00	0.00	0.00
	Communal Facilities	2.05	1.14	0.26	1.43	0.00
	Disabled Facilities Grant	1.35	1.85	0.00	0.00	0.00
	Estate Regeneration	1.75	0.00	0.00	0.00	0.00
	Health & Adult Social Care	0.73	0.63	0.50	0.00	0.00
	Improving Quality of homes	6.28	9.32	10.09	12.00	15.77
	Making homes energy efficient	8.22	10.27	8.35	10.14	13.28
	Making homes safe	14.23	12.20	7.13	4.17	1.38
	Modern Facilities	2.10	0.00	0.00	0.00	0.00
	Safe Wind/Weather Tight	1.33	0.00	0.00	0.00	0.00
	Supporting Communities	0.47	2.22	2.22	2.25	2.28
	Supporting Individual living	0.49	2.01	2.12	2.12	1.60
	Warm & Energy Efficient	1.40	0.00	0.00	0.00	0.00
	Other	14.99	17.47	9.04	3.49	4.68

Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
A modern attractive city where people are proud to live and work	Arts & Heritage	0.18	1.42	0.00	0.00	0.00
	Alternate Weekly Collections	0.12	2.65	0.00	0.00	0.00
	Millbrook Roundabout	7.45	0.00	0.00	0.00	0.00
	Minor Parks Development Works	0.58	0.07	0.00	0.00	0.00
	Outdoor Sports Centre Improvements	0.17	0.40	0.00	0.00	0.00
	Purchase of Vehicles	0.88	1.17	0.00	0.00	0.00
	QE2 Mile	0.00	0.96	0.00	0.00	0.00
	Roads Programme	14.76	6.47	0.00	0.00	0.00
	WWQ	0.17	0.34	0.00	0.00	0.00
	Other	2.60	0.76	0.00	0.00	0.00
Modern sustainable Council	Digital & IT	5.29	0.28	0.00	0.00	0.00
	Resources	0.45	1.70	0.00	0.00	0.00
	Other	0.01	0.00	0.00	0.00	0.00
	TOTAL	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**

9. The capital strategy, attached as Appendix 4, provides further details of how the proposed capital spend supports the Outcomes and priorities of the Council.

PROGRAMME CHANGES

Aspiration, Schools and Lifelong Learning Portfolio - £2.92M Increase

10. **St. Denys School – Increase of £2.92M**

A grant of £2.92M for the St. Denys school has been awarded from The Education and Skills Funding Agency (ESFA) as part of the total cost of the scheme for the extension and refurbishment of the school. Approval is sought to add this to the programme and for approval to spend giving an overall scheme total of £3.95M, phased £1.51M 2018/19, £2.38M 2019/20 and £0.06M 2020/21.

Clean Growth & Development - £0.51M Increase

11. Studio 144

As reported in November 2018 to Cabinet as part of the Capital Programme monitoring report, additional spend of £3.03M is forecast on this scheme however, at this stage it is still subject to the resolution of claims in relation to the installation of lifts. Additional grant funding has been received of £1.6M for which approval is now sought to add this to the programme. This will reduce the forecast overspend to £1.43M which will be reported as part of the year end 2018/19 outturn position.

Approval is also sought to remove the Water Fountains Scheme of £0.09M where an alternative solution has been found and to remove the Hampshire

	Community Bank Scheme of £1.00M as a banking licence has not been obtained and therefore the investment will not be made.
	Community Wellbeing Portfolio - £0.69M Increase
12.	Warm Homes (Increase of £0.67M in 2019/20) A successful bid was made for funding from the Warm Homes Fund £0.46M to provide capital funding for the installation of affordable heating solutions in fuel poor households who do not use mains gas as their primary heating fuel. Additionally, the council will provide match funding from existing resources of £0.37M (£0.21M of S106 contributions and £0.16M identified funding within the approved Green Projects Scheme and CCTV Schemes within the Community Wellbeing Portfolio). Approval is sought to add the scheme to the Community Wellbeing Portfolio totalling £0.83M and to give approval to spend in 2019/20 funded by a scheme virement from the Green Projects and within this programme, S106 funding and from the Warm Homes Front Grant. CCTV (Increase of £0.02M in 2018/19) £0.02M has been added to the existing CCTV project within the Community Wellbeing portfolio for network enhancements to the CCTV camera infrastructure at East Park Terrace funded by S106 Contributions.
	Transport & Public Realm Portfolio - £15.21M Increase
13.	**Integrated Transport (Increase of £0.33M in 2018/19)** Additions to programme from site specific S106 contributions of £0.33M. These works will enhance existing schemes in the programme and enable the authority to fulfil the obligations specified in the S106 agreements. These will primarily be focused on cycling schemes and congestion reduction. **Play Area Improvements (Increase of £0.15M in 2018/19)** Works on various play areas around the city to improve equipment, surfacing and fencing funded from site specific S106 contributions. **Minor Parks Development Works (Increase of £0.03M in 2018/19)** Green Park which sits in the Millbrook Ward on new equipment, surfacing and fencing, where the equipment is old and damaged and requires replacement. The £0.03M is being funded from S106 Contributions. **Car Parking (Increase of £0.46M in 2018/19)** Payment card readers in car parking pay and display machines need to be updated in line with the latest industry standards. This will ensure customers will have a convenient payment option for parking and ensure that card transactions are better protected against potential fraud. **Highways (Increase of £9.86M in 2018/19)** **There are a number of additions to the programme:** Additional investment of £2.98M in the highways network to increase the road programme in 2018/19. • This includes £0.51M of works funded by the Department for Transport Highways Maintenance Incentive Element grant on repairing a failing embankment on South East Road; improving

- Chilworth Roundabout; and drainage improvement work in areas susceptible to flooding.
- An additional £0.20M will be invested in pothole repairs.
- The remaining £2.27M will fund essential works across the network on classified roads £0.96M, principal roads £0.61M, unclassified roads £0.48M, and £0.22M on Highways Network Delivery projects.

An additional £5.7M has been added to the programme in 2019/20 in respect of the Roads Programme. Approval is requested to add this to the programme and for approval to spend in 2019/20 to be funded from specific grants, contributions and S106 funding with the balance funded from borrowing.

It should be noted that this funding is in addition to the existing £8.00M investment in residential roads.

Red Lodge Depot Bin Storage (increase of £0.07M in 2019/20)

Refuse container storage is costing SCC £0.04M per annum. An opportunity has been identified to store bins at Red Lodge Depot. The approved capital investment would mean that the current storage costs could be saved.

Electric Vehicles (Increase of £0.82M in 2019/20)

The SCC fleet vehicles, with the exception of 16 vans, are all owned by the authority. Many of the vehicles fall well below Euro 6 emissions ratings and are polluting the air in the City. Capital funding of £0.82M has been agreed for the procurement of replacement electric vehicles within the fleet.

Refuse vehicles (Increase of £2.90M in 2019/20)

There are currently 17 Refuse Collection Vehicles (RCV's) that do not meet Euro 6 emission standards and are nearing or past the anticipated end of life. Approval was granted by Council at a meeting in November 2018 for the replacement of these refuse vehicles. These replacement vehicles will ensure that the council's heavy goods vehicles (HGV's) all comply with the latest emission standards and contribute to cleaner air in the city.

Alternative Weekly Collections (Decrease of £2.65M 2019/20)

A provision was made linked to alternatively weekly collections for the replacement of refuse collection vehicles. The subsequent request for funding noted above, also provided for the replacement of these vehicles. Therefore, approval is now sought to remove the £2.65M from the programme. Further approval will need to be sought to meet the future replacement vehicle requirement once known.

Compact Solar Bins (Increase of £1.00M in 2019/20)

The Business Planning exercise for the 2019/20 budget has identified an opportunity to invest in solar compactor bins, with a view to generate potential efficiencies through reduced collections and smarter ways of working. Approval was by Cabinet in October 2018 to proceed with this project.

Weston Shore Coastal Erosion Project (Increase £1.00M)

Weston Shore is the city's only publically accessible natural coastline. The combined footpath and cycle path is at significant risk of continued erosion

	and collapse if there is no intervention now. It is proposed to construct a modular concrete retaining wall for the purpose of coastal erosion defence. Approval is sought to add this to the programme and for approval to spend £0.50M 2090/20 and £0.50M 2020/21. The scheme will be funded by a scheme virement from the Cycleway Improvement programme of £0.20M with the balance funded from CIL contributions.
	<u>Housing Revenue Account (HRA) – Increase £36.69M</u>
14.	**<u>Making Homes Safe £19.83M Increase</u>** An additional £11.58M of walkway structural works is required between 2019/20 and 2021/22 due to increased priority for safety compliance. Additional £8.1M of fire safety/sprinkler works are required also for safety compliance. **<u>Making Homes Energy Efficient – Increase £7.12M</u>** There has been a £11.00M reduction in year on year (2019/20 to 2021/22) in Making Homes Energy Efficient works in part due to funding requirements for the Making Homes Safe programme and Regeneration schemes. This is offset by an additional £13.30M additional works in 2022/23 to meet the requirements identified under this programme. **<u>Improving Quality of Homes Reduction £12.05M</u>** There has been a £29.00M reduction in year on year (2019/20 to 2021/22) Improving Quality of Homes works in part due to funding requirements for the Making Homes Safe programme and Regeneration schemes. This includes £24.80M of Kitchen & Bathroom Refurbishment works. The position is offset by an additional £13.30M additional works in 2022/23. **<u>Supporting Independent Living</u>** There has been a £0.50M increase in Supporting Independent Living across the years 2019/20 to 2021/22 to fund additional works required for Disabled Adaptations with a further year added to the programme of £1.60M in 2022/23. **<u>Supporting Communities £4.10M Increase</u>** There is also an additional works totalling £4.10M with £2.30M of works added in 2022/23. **<u>Estate Regeneration and New Build</u>** There is an additional £9.40M of works required at Townhill Park to develop the site further with the additional plots requiring design and build as well as decommissioning and demolition works. A sum of £3.30M has been added to the programme in 2022/23 to reflect the need for further new build schemes. Locations and build specifications along with property types are still to be determined. Council is asked to approve the above additions to the programme with approval to spend as detailed above. Additions are to be funded through a combination of Capital Receipts, the Major Repairs Allowance the direct revenue financing.
	SLIPPAGE AND REPHASING

15. The proposed programme identifies £20.52M of net slippage and rephasing from 2018/19 into future years as summarised in Table 4 below and detailed by scheme in Appendix 2. The reason for the major items of slippage and rephasing are detailed below:

Table 4 – Slippage & Rephasing

	(Slippage)/ Rephasing £M
Adult Care	(0.13)
Aspiration, Schools & Lifelong Learning	(9.15)
Clean Growth & Development	(1.17)
Community Well Being	(0.06)
Homes & Culture	(1.32)
Transport & Public Realm	(3.09)
Total General Fund	**(14.92)**
Total HRA	**(5.60)**
Total Slippage/Rephasing	**(20.52)**

Adult Care - £0.13M Slippage

16. **32B Kentish Road Capital Upgrade (Slippage of £0.03M from 2018/19 to 2019/20)**

The project has slipped due to a review of options and proposals around the 32 Kentish Road site involving all stakeholders in determining how outcomes can be best delivered. A Kentish Road "vision" working group has been set up to appraise all options and is engaging with the Capital Assets team with architectural costs to be incurred in 2019/20.

Integrated Working (Slippage of £0.10M to 2019/20)

This project has slipped due to a revised timeline in work commencing on the Client Case Management system (CCM) which is planned to replace the 'Paris' system from April 2020. The project is currently on hold whilst temporary resources are being transferred to that project with recommencing in early 2019.

Aspiration, Schools and Lifelong Learning Portfolio £9.15M Slippage

17. **Primary Review Phase 2 - Valentine Primary School Westwood Block (Slippage of £1.02M from 2018/19 to 2019/20)**

Slippage of £1.02M from 2018/19 to 2019/20 due to the project being put on hold while a reassessment of need was completed. The expansion of this school is to be delivered via an Education and Skills Funding Agency (ESFA) rebuild of the Westwood block and a revised start date is now scheduled to commence in January 2019. A contractor has now been appointed and the delivery of the new classroom block to replace the Westwood Block and the project is due for completion in September 2019. Appointment of the contractor was delayed because Council and the Skills

	Funding Agency (SFA) needed to undertake further work to negotiate a common position on the buildings research energy efficiency model (BREEAM) standards for the scheme to meet the Councils requirement to achieve an "excellent" rating. **<u>Springwell School - Main Expansion (Slippage of £3.83M from 2018/19 to 2019/20</u>** Phase 1 completion was delayed due to a number of works variations to meet special education needs (SEN) school requirements for noise and disturbance to pupils. The phase 2 planning application has been submitted and although there has been steady progress with the team of consultants on the design stage, the majority of work for Phase 2 is scheduled to take place in 2019/20. Slippage has also occurred following a decision taken to undertake a full OJEU procurement to secure best value for Phase 2 of the works which added several months to the scheme's planned timetable but was necessary to ensure high quality and value for money. **<u>R&M Programme for School (Slippage of £2.06M from 2018/19 to 2019/20)</u>** Slippage of £2.06M from 2018/19 to 2019/20 due to difficulties in managing the volume and complexity of works required. A recent condition survey of the schools within the city highlighted a backlog of works and a prioritised list has been drawn up for the remainder of 2018/19 and 2019/20. Due to delays in obtaining statistical data surrounding school condition surveys, the basis for planned work has delayed progress on the scheme. **<u>Early Years Expansion Programme (Slippage of £0.65M from 2018/19 to 2019/20)</u>** A reassessment of the availability of providers prepared to offer an increased provision of thirty hours is required due to difficulties in identifying providers willing to extend their current hours. Works to support the extension of hours have delayed until these providers can be identified resulting in slippage into 2019/20. **<u>Bitterne Park Autism Resource Base (Slippage of £0.16M from 2018/19 to 2019/20)</u>** The programme has slippage of £0.16M from 2018/19 to 2019/20. The revised planned start date for on-site works is February 2019 and the delay is a result of design work elements which required further electrical and mechanical works to take place before the on-site works. **<u>St George's School (Slippage of £1.79M from 2018/19 to 2019/20)</u>** This is a diocese scheme with the ESFA. The council is contributing to the scheme to replace, modernise and increase science classroom accommodation at the school. The ESFA are the Responsible Body and are the agency who are responsible for project management and delivery of the

	scheme. The delay follows obtaining agreement over strategy decision making within the diocese which is undertaken independently from the council. **Chamberlayne Refurbishment (Slippage of £0.54M from 2018/19 to 2019/20)** A delay in decision making on the overall strategy for Secondary School expansion has delayed progress on this scheme which is currently out to tender. Proposals have been drawn up to RIBA Stage 1 for the refurbishment of the main teaching block at Chamberlayne College, which is now on target and due to complete in September 2020. Work has also now commenced on RIBA Stage 2. The viability of an extended scheme is also been considered as part of a wider Local Enterprise Partnership proposal to develop the Chamberlayne site bringing education, leisure, early years and other service together into a single hub. **Regents Park Expansion (Rephase of £0.90M from 2019/20 to 2018/19)** At Quarter 1, it was estimated the building work for this project would not begin until 2019/20 due to delays in both the decision making of the overall strategy for Secondary School expansion and outstanding elements of the design stage to be completed. However, those delays have now been rectified and the programme has been accelerated and re-phased back into 2018/19.
	Clean Growth and Development
18.	**QE2 Mile – Bargate Square (Slippage of £0.96M from 2018/19 to 2019/20)** The scheme is to fund works associated with the Bargate Square redevelopment project which will improve retail provision, increase residential buildings and enhance the public realm in the area around the Bargate. The redevelopment project has commenced but the works, which are primarily funded from the private sector, with the paving works partly funded by the council, will now be undertaken in 2019/20. A total of £0.96M will need to be slipped into 2019/20. **Bitterne Public Services Hub (Slippage of £0.21M from 2018/19 to 2019/20)** The project is currently at the Outline Business Case phase. This is likely to cost around £0.10M subject to tender. It is estimated that 75% of this work could be completed by the end of March subject to the use of framework agreements for procurement rather than an open tender process with the remaining work in 2019/20.
19.	**Community Wellbeing – £0.05M Slippage**
	There is a small amount of slippage on the Green Projects scheme of £0.06M which will be used to support the Warm Homes Front scheme.
	Homes and Culture £1.32M Slippage

20.	**<u>Tudor House Museum (Slippage of £0.06M from 2018/19 to 2019/20)</u>** An Archaeology report is required as part of the planning conditions attached to the original project to redevelop Tudor House. The Council has an obligation to write the report so the Archaeology team will be commissioned in 2019/20 to undertake the required work due to staff resourcing shortfall (£0.04M). An issue with water ingress has also been identified. Following an initial survey a more detailed assessment is required before work can begin to resolve the issue (£0.02M). **<u>Sea City Treasure Trove (Slippage of £0.65M from 2018/19 to 2019/20)</u>** The Scheme aims to move stored collections into the Pavilion space at the SeaCity Museum. This project has now been amalgamated into a wider project to redevelop the cultural offering at the Civic Centre. The whole scheme will be revisited as one to maximise the opportunity to take more strategic approach across collections and venues and tie into future developments in the cultural development of the City. Initial commitments and plans in March 2018 were initially rejected due to the need for a more specific direction for the project, this was confirmed with the Heritage Lottery Fund (HLF) in September 2018 when more ambitious plans were submitted with a more integrated approach for both the treasure trove and cultural hub. **<u>Ancient Scheduled Monuments (Slippage of £0.20M from 2018/19 to 2019/20)</u>** Following unsuccessful attempts to recruit a suitable project manager to deliver this project in 2018/19, alternative delivery methods are now being considered in order to prioritise spend and activities. A consultant will be engaged in order to escalate this project and deliver the works successfully, subject to procurement approval. **<u>Outdoor Sports Centre Improvements (Slippage of £0.40M from 2018/19 to 2019/20)</u>** Initial feasibility work was undertaken in 2017/18. This determined further surveys were required in order to fully assess the feasibility of the scheme. These additional surveys are currently being undertaken and are being part-funded by Sport England.
	<u>Transport & Public Realm Portfolio Slippage 3.09M</u>
21.	**<u>Highways (Slippage of £1.0M from 2018/19 to 2019/20)</u>** Some works on the additional roads programme will slip into 2019/20 as the required treatment can only be undertaken in warm weather. There is a further slippage on bridge maintenance as a result of delays from the transition for delivery of structural related works to the Highways Partnership. **<u>Integrated Transport (Slippage of £1.87M from 2018/19 to 2019/20)</u>** This is made up of slippage on Congestion Reduction schemes of £1.06M, Public Transport £0.35M, Cycling £0.28M, Improved Safety £0.08M and Sustainable Travel £0.09M. The Congestion Reduction slippage is primarily made up of £0.81M due to a delay on the Electric Vehicle Action Plan as a result of procurement issues and ongoing discussions to link the project into the Street lighting PFI. This means that the majority of the project is now scheduled to be delivered in

	early 2019/20. Other projects totalling slippage of £0.25M are due to a delay in a project around the General Hospital to ensure that emergency access provision is maintained until a suitable time in the new financial year and a project that has been delayed until a decision on the proposed clean air zone is resolved. The Public Transport slippage is made up of £0.35M on works on the Bus network due to issues with schemes needing to be carried out with adjoining works that will take place in 2019/20. The slippage on the Cycling programme is due to a delay in the City Centre Cycle Network project due to waiting for an adjoining development application on Threefields Lane to be determined and works on the Northern Cycle Route which will now be undertaken in 2019/20. **Wildflower Mower (Slippage of £0.04M from 2018/19 to 2019/20)** The procurement process for the wildflower mower is expected to commence in January 2019. The lead in time for procurement means that actual purchase will likely be in early 2019/20 and the budget will therefore require slippage. **Play Sites and Minor Park Development projects (Slippage of £0.19M from 2018/19 to 2019/20** A review of actual and committed expenditure across all play sites and parks development has identified a number of projects not yet commenced. It is therefore likely that works will be carried out late in the current year or early in the new year. The slippage required is £0.18M.
	Housing Revenue Account - Slippage £5.60M
22.	**Energy Company Obligations - Lydgate -External Wall Insulation- (Slippage of £0.90M from 2018/19 to 2019/20)** At the start of the project a direct engagement was assumed with the contractor, however amended tender documents needed to be developed. The programme period was extended to ensure this activity was completed. However, due to the lengthy process, the delay has resulted in the need to slip £0.90M into 2019/20. **Estate Regeneration- Potters Court- (Slippage of £3.70M from 2018/19 to 2019/20)** Due to delays in contract formation, the works have started on site later than anticipated resulting in slippage of £3.70M.The project is however expected to remain within budget **Energy Company Obligations - Thornhill Heating- (Slippage of £1.50M from 2018/19 to 2019/20)** The original budget of £7.10M had been reduced to £1.60M, which reflects the correct scope of work at Thornhill and realignment of the scheme funding against other priorities in the Fire Safety programme and replacement heating at Milner Court. An immediate start on installation work was assumed without full development of design options and a full procurement. The programme period has therefore been extended to allow for the critical activities to be undertaken, which has resulted in a lengthy delay to deliver the project in 2018/19.

	Townhill Park Regeneration- Rephasing (£0.50M) This project has developed well on site and the contractor has progressed ahead of the original financial schedule as a result the properties will be delivered early. This has resulted in an accelerated spend in this financial year but not for the project as a whole. As the project has been accelerated, funding will be sought from the future years of this project to ensure project is delivered within the reported timescale.
	CAPITAL RESOURCES
23.	The resources which can be used to fund the capital programme are as follows: • Council Resources – Borrowing; • Council Resources - Capital Receipts from the sale of HRA assets; • Council Resources - Capital Receipts from the sale of General Fund assets; • Contributions from third parties; • Central Government Grants and from other bodies ; and • Direct Revenue Financing.
24.	Capital receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Sustainability Portfolio.
25.	It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However in 2018/19 those grants have been passported to these areas.
26.	Table 5 shows the current level of available resources.

Table 5 – Available Capital Funding

Resource	Balance B/Fwd	Received to Date 2018/19	Allocated To Current Programme	Available Funding	Anticipated Receipts 2018/19
	£M	£M	£M	£M	£M
Capital Receipts	(11.28)	(0.77)	14.15	2.10	(5.88)
CIL	(9.43)	(3.73)	5.08	(8.08)	(0.50)
S106	(10.63)	(0.83)	9.48	(1.98)	(0.43)
	(31.34)	(5.33)	28.71	(7.96)	(6.81)

27.	The table shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process.
28.	Funding for the capital programme has previously been heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the economic climate has increased the Council's risk in this area.

29. Table 6 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been an increase of £0.04M since the last reported position due to updated valuations based on the current market conditions. It should be noted that both the previous and latest forecast positions have been adjusted to remove receipts for properties not yet on the market.

30. Table 6 – General Fund Capital Receipts Estimates

	B/Fwd £M	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Latest Forecast	11.28	5.98	0.67	0.00	0.00	0.00	17.93
Previous Forecast	11.28	5.94	0.67	0.00	0.00	0.00	17.89
Variance	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.04**

OVERALL CAPITAL PROGRAMME

31. Tables 7 and 8 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2022/23. Appendix 3 provides details of each portfolios latest programme and the financing of that programme.

Table 7 – Capital Expenditure by Programme

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Adult Care	0.73	0.63	0.50	0.00	0.00	1.86
Aspiration, Schools & Lifelong learning	12.92	23.92	28.27	11.96	18.63	95.70
Clean Growth & Development	10.56	1.81	0.00	0.00	0.00	12.37
Community Wellbeing	2.49	1.94	0.00	0.00	0.00	4.43
Finance & Customer Experience	5.74	1.98	0.00	0.00	0.00	7.72
Homes and Culture	0.60	1.82	0.00	0.00	0.00	2.42
Transport and Public Realm	38.37	18.22	3.01	0.00	0.00	59.61
General Fund Programme	**71.41**	**50.32**	**31.78**	**11.96**	**18.63**	**184.11**
HRA Programme	53.16	54.63	39.21	35.60	38.99	221.59
Total Capital Programme	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**	**405.70**

Table 8 – Use of Resources

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
*CR - GF Borrowing	24.47	16.50	11.63	11.96	18.59	83.15
*CR - HRA Borrowing	19.25	10.33	8.54	3.61	6.91	48.64
Capital Receipts	18.43	10.03	2.86	3.16	2.42	36.90
Contributions	12.95	11.16	7.23	7.79	8.13	47.26
Capital Grants	24.66	21.17	19.30	0.00	0.04	65.17

	Revenue Financing	10.66	5.79	0.99	0.00	0.00	17.44
	HRA – MRA	14.15	29.97	20.44	21.04	21.53	107.13
	Total Financing	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**	**405.70**
	**CR – Council Resources*						

32.	Table 8 demonstrates that the most significant amount of funding for the General fund programme is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funding by MRA (Major Repairs Allowance).
	CAPITAL STRATEGY
33.	The Council needs to have a "fit for purpose" Capital Strategy to ensure that all the priorities within the Council Strategy are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2018/19 to 2022/23 and this is attached in Appendix 4.
34.	As part of the December 2017 update of the Prudential Code for Capital Finance in Local Authorities a requirement to produce a capital strategy has been introduced. The guidance outlines a number of key factors which they recommend be included in a capital strategy. One of the key recommendations within the Prudential Code is that links should be made where appropriate to the treasury strategy, therefore the revised prudential indicators have been included as Appendix 5.
35.	Prudential Indicators are an indication that capital investment planning and that the Authority's borrowing decisions are prudent and sustainable. In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. HRA prudential indicators by statute are ring-fenced and are calculated separately. The prudential indicators have been set for the forthcoming four year period and comprise of three main components relating to:- • **<u>Capital Expenditure</u>** – Estimates of capital Expenditure and capital Financing, Current and Estimated Movement in the capital financing requirement i.e. the Authority's underlying need to borrow; • **<u>External Debt</u>** – Current and Estimated Movement in Gross debt. Authorised limits for borrowing set by the Authority and the Operational Boundary for total external debt (excluding investments) and separate identification for borrowing against debt and other long term liabilities. Other indicators outline the estimated movement in Borrowing Requirement and loans over the forthcoming five year period; and • **<u>Affordability</u>** – the Ratio of Financing costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs.

RESOURCE IMPLICATIONS

<u>Capital/Revenue</u>

36.	This report principally deals with capital and the implications are set out in the main body of the report. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the General Fund revenue budget. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.
Property/Other	
37.	There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
38.	Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council. The Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.
Other Legal Implications:	
39.	None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.
RISK MANAGEMENT IMPLICATIONS	
40.	None.
POLICY FRAMEWORK IMPLICATIONS	
41.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
SUPPORTING DOCUMENTATION	
Appendices	
1.	Variations Since the November 2018 Capital Update
2.	Major Slippage & Re-phasing
3.	General Fund & HRA Capital Programme – Scheme Details
4.	Capital Strategy 2018/19 – 2022/23
5.	Capital Strategy - Prudential Indicators
Documents In Members' Rooms	

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<tr><td colspan="4">Other Background Documents
Equality Impact Assessment and Other Background documents available for inspection at:</td></tr>
<tr><td colspan="2">Title of Background Paper(s)</td><td colspan="2">Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</td></tr>
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Appendix 1

VARIATIONS SINCE NOVEMBER 2018 CAPITAL UPDATE

Portfolio	Scheme	£M	Approval	Funding Source
Additions to the Programme				
Aspiration, Schools and Lifelong Learning	St Denys	2.92		Grant
		2.92		
Clean Growth & Development	Studio 144	1.60		Grant
		1.60		
Community Wellbeing	Warm Homes Funding	0.83		S106 Contributions / External Contributions
	CCTV	0.02	***	S106 Contributions
		0.85		
Transport and Public Realm	Weston Shore Coastal Erosion	0.80		S106 Contributions / CIL Contributions
	Highways Programme 2019/20	5.70		Grant / DRF/ S106 Contributions / External Contributions
	Pothole Action Fund	0.20	*	S106 Contributions / Grant
	Highways Network Delivery	0.73	*	Grant
	Various Principal	0.61	*	Grant
	Classified Roads	0.96	*	CIL Contributions / Grant
	Unclassified Roads	0.48	*	CIL Contributions
	Purchase of vehicles - Refuse Collection Vehicles	2.90	*	Capital Receipts
	Purchase of vehicles - Electric Vehicles	0.82	**	Capital Receipts
	Solar Powered Compactor Bins	1.00	**	CIL Contributions
	Replacement Card Readers	0.46	**	DRF
	Cycling	0.13	**	S106 Contributions
	Bus Corridor Minor Works	0.03	**	S106 Contributions
	Improved Safety – Engineering	0.04	**	S106 Contributions
	Intelligent Transport Sytems	0.13	**	S106 Contributions
	Green Park	0.03	**	S106 Contributions
	Coxford Play Area	0.02	**	S106 Contributions
	Inkerman Play Area	0.02	**	S106 Contributions
	Hinkler Play Area	0.02	**	S106 Contributions
	Mandela Way Play Area	0.02	**	S106 Contributions
	Woodmill Play Area	0.01	**	S106 Contributions
	St James Park Play Area	0.03	***	S106 Contributions
	Red Lodge Bin Storage	0.07	***	Council Resources
		15.21		
	TOTAL GF	**20.58**		
HRA	Making Homes Safe	19.83		Capital Receipts / MRA / DRF
	Making Homes Energy Efficient	7.12		Capital Receipts / MRA / DRF
	Supporting Independent Living	2.10		Capital Receipts / MRA / DRF
	Supporting Communities	4.10		Capital Receipts / MRA / DRF
	Townhill Park	9.40		Capital Receipts / MRA / DRF
	New Build	3.30		Capital Receipts / MRA / DRF
	HRA - Misc	2.89		Capital Receipts / MRA / DRF
	TOTAL HRA	**48.74**		
	TOTAL PROGRAMME ADDITIONS	**69.32**		
Reductions from the Programme				
Clean Growth & Development	Hampshire Community Bank	(1.00)		Council Resources
	Water Fountains	(0.09)		CIL Contributions
		(1.09)		
Community Wellbeing	Green Projects	(0.16)		Grants
		(0.16)		
Transport & Public Realm	AWC Replacement Vehicles	(2.65)		Council Resources
		(2.65)		
	TOTAL GF	**(3.90)**		
HRA	Improving Quality of Homes	(12.05)		Capital Receipts / MRA / DRF
	TOTAL HRA	**(12.05)**		
	TOTAL PROGRAMME REDUCTIONS	**(15.95)**		
Total Variations to the Overall Programme		**53.37**		

* Approved By Full Council	5.88
** Approved By Cabinet	2.73
*** Approved under Delegated Powers	0.12
To be Approved	44.64
	53.37

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Appendix 2

SLIPPAGE & REPHASING AS AT DECEMBER 2018 CAPITAL UPDATE

Portfolio	Scheme	(Slippage)/ Rephasing £M	Report Paragraph Ref.
Adults	32B Kentish Rd Capital Upgrade	(0.03)	
	Integrated Working	(0.10)	
		(0.13)	
Aspiration, Schools and Lifelong Learning	Regent Park Expansion	0.90	
	Primary Review P2 - Valentine Primary School Westwood Block	(1.02)	
	Springwell School - Main Expansion 15/16	(3.83)	
	R&M Programme for School 2016/17 (inc 17/18)	(2.06)	
	Early Years Expansion Programme	(0.65)	
	Bitterne Park Autism Resource Base	(0.16)	
	St George's School ESFA	(1.79)	
	Chamberlayne Refurbishment	(0.54)	
		(9.15)	
Clean Growth & Development	QE2 Mile - Bargate Square	(0.96)	
	Bitterne Public Services Hub	(0.22)	
		(1.18)	
Community Wellbeing	Green Projects	(0.05)	
		(0.05)	
Homes and Culture	Tudor House Museum Phase 1	(0.01)	
	Tudor House Museum Phase 2 Implementation	(0.03)	
	Water ingress repairs project at Westgate & Tudor House	(0.02)	
	SeaCity Treasure Trove	(0.65)	
	Ancient Scheduled Monuments	(0.20)	
	Outdoor Sports Centre Improvements	(0.40)	
		(1.31)	
Transport and Public Realm	Bridges to Prosperity - Vicarage Bridge	(0.03)	
	Other Bridge Works	(0.02)	
	Northam River Bridge Containment	(0.20)	
	Additional Roads Programme	(0.30)	
	Highways Network Delivery	(0.30)	
	Highways Improvements (Developer)	(0.15)	
	Cycling	(0.11)	
	Eastern strategic cycle route development	(0.06)	
	NCR: Ave East Lodge Rd – Dorset St	(0.10)	
	Bitterne Park Triangle	(0.02)	
	Public Transport	(0.03)	
	Bus Lane & Traffic Enforcement	(0.07)	
	Bus Corridor Minor Works	(0.26)	
	Road Safety Partnership	(0.02)	
	Improved Safety	(0.06)	
	Travel to School	(0.06)	
	School Travel Plan Measures	(0.02)	
	Intelligent Transport Sytems	(0.02)	
	Urban Freight Strategy - Delivery Service Plans	(0.05)	
	Hospital Access Improvements (Coxford Road)	(0.18)	
	Electric Vehicle Action Plan	(0.81)	
	Wildflower Area Mower	(0.04)	
	Green Park	(0.04)	
	Lordsdale Greenway	(0.01)	
	Westwood Greenway	(0.01)	
	Mobile Working for Parks & Street Cleansing Frontline	(0.01)	
	Realignment of Park Walk Entrance to East Park	(0.03)	
	Deep Dene Play Area	(0.01)	
	Cedar Lodge Play Area	(0.01)	
	Daisy Dip Play Area	(0.01)	
		(0.02)	
	Inkerman Play Area	(0.02)	
	Mandela Way Play Area	(0.02)	
		(3.10)	
	GF PROGRAMME TOTAL	**(14.92)**	
HRA	Townhill Park Regeneration	0.50	
	Estate Regeneration Woodside/Wimpson	(3.70)	
	Energy Company Obligations - Thornhill Heating	(1.50)	
	Energy Company Obligations - Lydgate - External Wall Insulation	(0.90)	
		(5.60)	
	HRA PROGRAMME TOTAL	**(5.60)**	
	OVERALL PROGRAMME TOTAL	**(20.52)**	

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Agenda Item 12

Appendix 3

ADULT CARE

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
R9330	National Care Standards and H&S Work	0.020	0.000	0.000	0.000	0.000	0.020
R9340	Replacement of Appliances and Equipment	0.019	0.000	0.000	0.000	0.000	0.019
R9700	Common Assessment Framework	0.004	0.000	0.000	0.000	0.000	0.004
R9720	Residential Homes fabric furnishing - Care Quality Commissions	0.003	0.000	0.000	0.000	0.000	0.003
R9777	Integrated Working	0.180	0.103	0.000	0.000	0.000	0.283
R9600	Telecare Equipment	0.500	0.500	0.500	0.000	0.000	1.500
R9919	32B Kentish Rd Capital Upgrade	0.005	0.025	0.000	0.000	0.000	0.030
		0.731	**0.628**	**0.500**	**0.000**	**0.000**	**1.859**
Sources of Finance							
	Council Resources	0.680	0.603	0.500	0.000	0.000	1.783
	Capital Receipts	0.007	0.025	0.000	0.000	0.000	0.032
	Central Govt Grants	0.044	0.000	0.000	0.000	0.000	0.044
	Total Programme	**0.731**	**0.628**	**0.500**	**0.000**	**0.000**	**1.859**

ASPIRATION, SCHOOLS AND LIFELONG LEARNING

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
E5017	Primary Review P2 - Valentine Primary School Westwood Block	0.400	1.124	0.000	0.000	0.000	1.524
E5020	Primary Review P2 - Fairisle Junior	0.701	0.000	0.000	0.000	0.000	0.701
E5022	Primary Review Contingency	0.022	0.000	0.000	0.000	0.000	0.022
E5027	Expansion of St Johns Primary & Nursery	0.023	0.000	0.000	0.000	0.000	0.023
E5030	Portswood Primary Expansion	0.152	0.000	0.000	0.000	0.000	0.152
E5037	Springwell School - Main Expansion 15/16	3.400	3.826	0.000	0.000	0.000	7.226
E5039	Remedial Works at Sholing-Springwell Intake 2015	0.007	0.000	0.000	0.000	0.000	0.007
E5041	Springhill Primary Academy School - one modular building	0.000	0.000	0.000	0.000	0.039	0.039
E5046	Thornhill Expansion	0.030	0.000	0.000	0.000	0.000	0.030
E5047	St Denys	1.510	2.380	0.060	0.000	0.000	3.950
E7203	Health and Safety Capital	0.041	0.000	0.000	0.000	0.000	0.041
E7205	Solar PV Resources Project	0.102	0.000	0.000	0.000	0.000	0.102
E7206	Renewable Heat Incentive	0.005	0.000	0.000	0.000	0.000	0.005
E7218	R&M Programme for School 2016/17 (inc 17/18)	1.015	2.056	0.000	0.000	0.000	3.071
E7220	Early Years Expansion Programme	0.555	0.651	0.000	0.000	0.000	1.206
E8185	St Mark's School	0.175	4.000	18.000	9.760	0.000	31.935
E9061	Mayfield Academy	0.004	0.000	0.000	0.000	0.000	0.004
E9062	Lordshill Academy	0.121	0.000	0.000	0.000	0.000	0.121
E9121	Bitterne Park Secondary Building Programme - planning contribution	0.195	0.000	0.000	0.000	0.000	0.195
E9122	Bitterne Park Autism Resource Base	0.400	0.160	0.000	0.000	0.000	0.560
E9133	School Access Initiative 2016/17	0.283	0.000	0.000	0.000	0.000	0.283
E9140	Asbestos 2016/17	0.373	0.000	0.000	0.000	0.000	0.373
E0NEW	Schools Programme	0.000	0.000	0.000	0.000	18.590	18.590
E9134	St George's School ESFA	0.075	1.805	0.000	0.000	0.000	1.880
E9135	Sholing Technical College Renovation	1.900	0.572	0.000	0.000	0.000	2.472
E9136	Regent Park Expansion	1.200	2.800	0.210	0.000	0.000	4.210
R9801	Post 19 Learning & Skills Hub	0.064	0.000	0.000	0.000	0.000	0.064
E9211	St George's Expansion	0.012	1.000	3.000	0.400	0.000	4.412
E9215	St Anne's Expansion	0.100	1.000	3.000	0.400	0.000	4.500
E9236	Chamberlayne Refurbishment	0.056	2.544	4.000	1.400	0.000	8.000
		12.921	**23.918**	**28.270**	**11.960**	**18.629**	**95.698**
Sources of Finance							
	Council Resources	6.575	8.915	11.132	11.960	18.590	57.172
	Capital Receipts	0.064	0.000	0.000	0.000	0.000	0.064
	Central Govt Grants	6.282	15.003	17.138	0.000	0.039	38.462
	Total Programme	**12.921**	**23.918**	**28.270**	**11.960**	**18.629**	**95.698**

LEADER'S, CLEAN GROWTH & DEVELOPMENT

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
C257G	Lighting Upgrades Salix Works	0.041	0.000	0.000	0.000	0.000	0.041
C620Y	QE2 Mile - Bargate Square	0.000	0.960	0.000	0.000	0.000	0.960
L8200	Studio 144	1.600	0.000	0.000	0.000	0.000	1.600
M9390	Royal Pier	0.100	0.306	0.000	0.000	0.000	0.406
M9400	Mayflower Park Spitfire Memorial	0.012	0.000	0.000	0.000	0.000	0.012
M9420	West Quay Phase 3 Watermark West Quay	0.100	0.337	0.000	0.000	0.000	0.437
M942B	West Quay Phase 3 Site B	0.065	0.000	0.000	0.000	0.000	0.065
M9430	Northern Above Bar Fees - Marketing Fees	0.023	0.000	0.000	0.000	0.000	0.023
M9100	Enterprise Centre	1.463	0.000	0.000	0.000	0.000	1.463
M6000	Bitterne Public Services Hub	0.035	0.208	0.000	0.000	0.000	0.243
M9001	Strategic Property Acquisition	7.125	0.000	0.000	0.000	0.000	7.125
		10.564	**1.811**	**0.000**	**0.000**	**0.000**	**12.375**
Sources of Finance							
	Council Resources	8.616	1.778	0.000	0.000	0.000	10.394
	Capital Receipts	0.200	0.000	0.000	0.000	0.000	0.200
	Contributions	0.148	0.033	0.000	0.000	0.000	0.181
	Central Govt Grants	1.600	0.000	0.000	0.000	0.000	1.600
	Total Programme	**10.564**	**1.811**	**0.000**	**0.000**	**0.000**	**12.375**

COMMUNITY WELLBEING

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
G4310	Green Projects	0.063	0.000	0.000	0.000	0.000	0.063
G4490	Insulation and Fuel Poverty Initiatives	0.056	0.000	0.000	0.000	0.000	0.056

G6430	Support for Estate Regeneration	0.932	0.000	0.000	0.000	0.000	0.932
G6580	Estate Parking Improvements	0.150	0.083	0.000	0.000	0.000	0.233
C718D	CCTV Cameras	0.034	0.000	0.000	0.000	0.000	0.034
G4730	Disabled Facilities Grants - Approved Adaptations	1.200	1.020	0.000	0.000	0.000	2.220
G4740	Disabled Facilities Grants - Support Costs	0.032	0.000	0.000	0.000	0.000	0.032
R1100	S106 - Centenary Quay	0.038	0.000	0.000	0.000	0.000	0.038
GCAP1	Warm Homes	0.000	0.834	0.000	0.000	0.000	0.834
		2.505	**1.937**	**0.000**	**0.000**	**0.000**	**4.432**
Sources of Finance							
	Capital Receipts	0.432	0.000	0.000	0.000	0.000	0.432
	Contributions	1.163	0.760	0.000	0.000	0.000	1.923
	Central Govt Grants	0.910	1.177	0.000	0.000	0.000	2.087
	Total Programme	**2.505**	**1.937**	**0.000**	**0.000**	**0.000**	**4.432**

FINANCE AND CUSTOMER EXPERIENCE

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
P5100	Desktop Refresh Programme	0.800	0.279	0.000	0.000	0.000	1.079
P5140	Customer Portal	0.052	0.000	0.000	0.000	0.000	0.052
T1000	Digital Investment Phase 1	0.056	0.000	0.000	0.000	0.000	0.056
T2000	Customer Relationship Managment Project	0.298	0.000	0.000	0.000	0.000	0.298
T1001	Digital Investment Phase 2 &3	4.084	0.000	0.000	0.000	0.000	4.084
P5150	Civic Centre Upgrade	0.448	1.700	0.000	0.000	0.000	2.148
		5.738	**1.979**	**0.000**	**0.000**	**0.000**	**7.717**
Sources of Finance							
	Council Resources	0.267	1.028	0.000	0.000	0.000	1.295
	Capital Receipts	4.382	0.000	0.000	0.000	0.000	4.382
	Direct Revenue	1.089	0.951	0.000	0.000	0.000	2.040
	Total Programme	**5.738**	**1.979**	**0.000**	**0.000**	**0.000**	**7.717**

HOMES AND CULTURE

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
L1440	Tudor House Museum Phase 1	0.000	0.005	0.000	0.000	0.000	0.005
L6790	Sections 106 Playing Field Improvement	0.071	0.000	0.000	0.000	0.000	0.071
L810U	Art in Public Places – Millbrook and Weston	0.000	0.013	0.000	0.000	0.000	0.013
L8260	Tudor House Museum Phase 2 Implementation	0.000	0.030	0.000	0.000	0.000	0.030
L8370	Woolston Library	0.064	0.000	0.000	0.000	0.000	0.064
L1011	Water ingress repairs project at Westgate & Tudor House	0.002	0.018	0.000	0.000	0.000	0.020
L1015	SeaCity Treasure Trove	0.050	0.650	0.000	0.000	0.000	0.700
L6792	Outdoor Sports Centre Improvements	0.099	0.400	0.000	0.000	0.000	0.499
L1016	Woodmill Outdoor Activity Centre (Stone Repair - Tidal Wall)	0.191	0.000	0.000	0.000	0.000	0.191
L1014	Arts Gallery Improvements	0.000	0.500	0.000	0.000	0.000	0.500
L1017	God's House Tower	0.125	0.000	0.000	0.000	0.000	0.125
L1018	Ancient Scheduled Monuments	0.001	0.199	0.000	0.000	0.000	0.200
		0.603	**1.815**	**0.000**	**0.000**	**0.000**	**2.418**
Sources of Finance							
	Council Resources	0.432	0.673	0.000	0.000	0.000	1.105
	Contributions	0.100	0.413	0.000	0.000	0.000	0.513
	Other Grants	0.070	0.030	0.000	0.000	0.000	0.100
	Direct Revenue	0.001	0.699	0.000	0.000	0.000	0.700
	Total Programme	**0.603**	**1.815**	**0.000**	**0.000**	**0.000**	**2.418**

TRANSPORT AND PUBLIC REALM

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
C2100	Purchase of vehicles	0.876	0.100	0.000	0.000	0.000	0.976
C240E	Itchen Masterplan	0.003	0.000	0.000	0.000	0.000	0.003
C2410	Mobile Working	0.048	0.000	0.000	0.000	0.000	0.048
C2440	Priory Road - Property Level Protection Scheme	0.007	0.000	0.000	0.000	0.000	0.007
C2750	Itchen Bridge Server	0.098	0.000	0.000	0.000	0.000	0.098
C2921	Weekly Collection Support Scheme	0.010	0.000	0.000	0.000	0.000	0.010
C2922	Alternative Weekly Collection - Implementation Works	0.111	0.000	0.000	0.000	0.000	0.111
C2923	Red Lodge Bin Storage	0.070	0.000	0.000	0.000	0.000	0.070
C550H	Improved Safety – Engineering	0.152	0.000	0.000	0.000	0.000	0.152
C7112	Road Safety Partnership	0.020	0.017	0.000	0.000	0.000	0.037
C7131	Cycling	2.734	0.359	0.450	0.000	0.000	3.543
C7141	Public Transport	0.180	0.320	0.290	0.000	0.000	0.790
C7151	Improved Safety	0.154	0.264	0.200	0.000	0.000	0.618
C7161	Travel to School	0.191	0.196	0.134	0.000	0.000	0.521
C716M	Workplace Travel Plan Measures	0.055	0.008	0.000	0.000	0.000	0.063
C716N	School Travel Plan Measures	0.019	0.019	0.000	0.000	0.000	0.038
C7171	Accessibility	0.220	0.250	0.250	0.000	0.000	0.720
C717S	Station Boulevard	0.200	0.000	0.000	0.000	0.000	0.200
C717T	Local Transport Improvement Fund	0.748	0.000	0.000	0.000	0.000	0.748

TRANSPORT AND PUBLIC REALM

Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
C7181	Intelligent Transport Sytems	3.082	2.904	0.800	0.000	0.000	6.786
C718F	LTP Monitoring	0.060	0.000	0.000	0.000	0.000	0.060
C718T	Urban Freight Strategy - Delivery Service Plans	0.008	0.047	0.000	0.000	0.000	0.055
C718V	Hospital Access Improvements (Coxford Road)	0.020	0.178	0.000	0.000	0.000	0.198
C718W	Thomas Lewis Way/Stoneham Lane	0.729	0.000	0.000	0.000	0.000	0.729
C718X	Electric Vehicle Action Plan	0.270	0.812	0.000	0.000	0.000	1.082
C718Y	Cooperative Intelligent Transport Sytems - Bluetooth	0.032	0.000	0.000	0.000	0.000	0.032
C7191	Additional Roads Programme	7.700	0.300	0.000	0.000	0.000	8.000
C719D	Pothole Action Fund	0.296	0.000	0.000	0.000	0.000	0.296
C719E	Cycleways Improvements Programme	0.855	0.000	0.000	0.000	0.000	0.855
C719F	Anti-Terrorist Measures	1.046	0.000	0.000	0.000	0.000	1.046
C723B	Major Cycle Route Signage	0.040	0.000	0.000	0.000	0.000	0.040

C723H	WCR: Phase 2 – 2nd Ave	0.535	0.000	0.000	0.000	0.000	0.535
C723J	Eastern strategic cycle route development	0.000	0.056	0.000	0.000	0.000	0.056
C723K	NCR: Ave East Lodge Rd – Dorset St	0.010	0.096	0.000	0.000	0.000	0.106
C723N	Bitterne Park Triangle	0.150	0.021	0.000	0.000	0.000	0.171
C724B	Bus Lane & Traffic Enforcement	0.014	0.066	0.000	0.000	0.000	0.080
C724D	Bus Corridor Minor Works	0.140	0.257	0.000	0.000	0.000	0.397
C772A	Millbrook Rounabout Highway Capacity Improvements	0.428	0.000	0.000	0.000	0.000	0.428
C774A	Northam Rail Bridge and corrider improvements	0.000	0.000	0.040	0.000	0.000	0.040
C777E	Bridges to Prosperity - Vicarage Bridge	0.026	0.000	0.000	0.000	0.000	0.026
C791H	Other Bridge Works	1.317	0.246	0.000	0.000	0.000	1.563
C791U	Northam River Bridge Containment	0.200	0.000	0.000	0.000	0.000	0.200
C7921	Various Principal	0.606	0.000	0.000	0.000	0.000	0.606
C8000	Classified Roads	1.456	0.000	0.000	0.000	0.000	1.456
C809A	Millbrook Roundabout Detailed Design	7.446	0.000	0.000	0.000	0.000	7.446
C8100	Unclassified Roads	1.904	0.000	0.000	0.000	0.000	1.904
C816C	Footways - Various Treatments	0.540	0.000	0.000	0.000	0.000	0.540
C8200	Highways Network Delivery	0.425	0.300	0.000	0.000	0.000	0.725
C820A	Highways Drainage Investigations	0.192	0.000	0.000	0.000	0.000	0.192
C8300	Street Lighting	0.045	0.010	0.000	0.000	0.000	0.055
C881F	Road Restraint Systems	0.240	0.010	0.000	0.000	0.000	0.250
C8911	Platform for Prosperity	0.114	0.000	0.000	0.000	0.000	0.114
C9120	Highways Improvements (Developer)	0.505	0.150	0.000	0.000	0.000	0.655
C947J	Emergency Repairs to Multi-Storey Carparks	0.056	0.000	0.000	0.000	0.000	0.056
C947K	Car Park Shutters	0.121	0.070	0.050	0.000	0.000	0.241
CCAP1	Highways Programme 2019/20	0.000	5.700	0.000	0.000	0.000	5.700
CCAP3	Purchase of vehicles - Electric Vehicles	0.000	0.816	0.000	0.000	0.000	0.816
CCAP4	Purchase of vehicles - Refuse Collection Vehicles	0.000	2.900	0.000	0.000	0.000	2.900
CCAP6	Replacement Card Readers	0.460	0.000	0.000	0.000	0.000	0.460
CCAP7	Weston Shore Coastal Erosion	0.000	0.200	0.800	0.000	0.000	1.000
E3001	Houndwell Park Play Area	0.000	0.003	0.000	0.000	0.000	0.003
E3011	Deep Dene Play Area	0.000	0.009	0.000	0.000	0.000	0.009
E3013	The Common Play Area	0.016	0.000	0.000	0.000	0.000	0.016
E3029	Cedar Lodge Play Area	0.000	0.013	0.000	0.000	0.000	0.013
E3030	Green Lane Copse / Watts Close Play Area	0.004	0.000	0.000	0.000	0.000	0.004
E3031	Lamberhurst Close / Ropley Close Play Area	0.000	0.010	0.000	0.000	0.000	0.010
E3033	Masefield Green Play Area	0.009	0.000	0.000	0.000	0.000	0.009
E3034	Mayfield Park Play Area	0.000	0.010	0.000	0.000	0.000	0.010
E3036	Octavia Road Play Area	0.020	0.000	0.000	0.000	0.000	0.020
E3037	St James Park Play Area	0.046	0.000	0.000	0.000	0.000	0.046
E3038	Sullivan Recreation Ground Play Area	0.008	0.000	0.000	0.000	0.000	0.008
E3039	Cobden Meadows and Riverside Park Play Area	0.030	0.000	0.000	0.000	0.000	0.030
E3040	Daisy Dip Play Area	0.000	0.010	0.000	0.000	0.000	0.010
E3041	Lydgate Green Play Area	0.022	0.000	0.000	0.000	0.000	0.022
E3042	Coxford Play Area	0.000	0.019	0.000	0.000	0.000	0.019
E3043	Edith Haisman Play Area	0.038	0.000	0.000	0.000	0.000	0.038
E3044	Puffin Close Play Area	0.011	0.000	0.000	0.000	0.000	0.011
E3045	Mansel Park Play Area	0.050	0.200	0.000	0.000	0.000	0.250
E3046	Somerset Avenue Play Area	0.079	0.000	0.000	0.000	0.000	0.079
E3047	Inkerman Play Area	0.000	0.017	0.000	0.000	0.000	0.017
E3048	Hinkler Play Area	0.018	0.000	0.000	0.000	0.000	0.018
E3049	Mandela Way Play Area	0.000	0.024	0.000	0.000	0.000	0.024
E3050	Woodmill Play Area	0.011	0.000	0.000	0.000	0.000	0.011
E3051	Holyrood Play Area	0.017	0.000	0.000	0.000	0.000	0.017
J426L	Southampton Common	0.037	0.000	0.000	0.000	0.000	0.037
J4440	Sports Centre Water Supply Upgrade	0.014	0.000	0.000	0.000	0.000	0.014
J4450	Riverside Park Pitch & Putt Irrigation System Upgrade	0.050	0.000	0.000	0.000	0.000	0.050
J4480	Green Park	0.000	0.036	0.000	0.000	0.000	0.036
J4490	Hum Hole	0.040	0.000	0.000	0.000	0.000	0.040
J4500	Lordsdale Greenway	0.000	0.005	0.000	0.000	0.000	0.005
J4520	Riverside Park	0.014	0.000	0.000	0.000	0.000	0.014
J4540	Sullivan Recreation Ground	0.002	0.000	0.000	0.000	0.000	0.002
J4560	Westwood Greenway	0.000	0.003	0.000	0.000	0.000	0.003
J4570	Mayfield Park Improvements	0.023	0.000	0.000	0.000	0.000	0.023
J4610	City Pride - Improvements to Queens Park	0.108	0.000	0.000	0.000	0.000	0.108
J4630	Shoreburs Greenway Footpath Improvment Project	0.167	0.000	0.000	0.000	0.000	0.167
J4632	Portswood Entrance Improvements	0.044	0.000	0.000	0.000	0.000	0.044
J4640	Blechynden Terrace Park	0.186	0.000	0.000	0.000	0.000	0.186
J8100	Mobile Working for Parks & Street Cleansing Frontline	0.007	0.000	0.000	0.000	0.000	0.007
J8281	Tree Surgery Mobile Elevated Working Platform	0.075	0.000	0.000	0.000	0.000	0.075
J8282	Wildflower Area Mower	0.000	0.035	0.000	0.000	0.000	0.035
J8283	Mechanical Sweeper	0.160	0.000	0.000	0.000	0.000	0.160
J8284	Solar Powered Compactor Bins	0.000	1.000	0.000	0.000	0.000	1.000
J8290	Realignment of Park Walk Entrance to East Park	0.000	0.027	0.000	0.000	0.000	0.027
M9370	Town Depot	0.100	0.131	0.000	0.000	0.000	0.231
		38.370	**18.224**	**3.014**	**0.000**	**0.000**	**59.608**
Sources of Finance							
	Council Resources	7.900	0.855	0.000	0.000	0.000	8.755
	Capital Receipts	5.183	3.859	0.000	0.000	0.000	9.042
	Contributions	7.099	4.326	0.800	0.000	0.000	12.225
	Central Govt Grants	15.651	7.614	2.164	0.000	0.000	25.429
	Other Grants	0.121	0.000	0.000	0.000	0.000	0.121
	Direct Revenue	2.416	1.570	0.050	0.000	0.000	4.036
	Total Programme	**38.370**	**18.224**	**3.014**	**0.000**	**0.000**	**59.608**

Housing Revenue Account

Sum2	Scheme No.	Description	Budget 2018/19 £M	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Total £M
HRA06	H6490	Estate Regeneration City Wide Framework	0.177	0.000	0.000	0.000	0.000	0.177
HRA06	H6700	Erskine Court Rebuild	0.168	0.000	0.000	0.000	0.000	0.168
HRA06	H8001	Right to Buy - Satisfactory Purchse Scheme	1.400	0.000	0.000	0.000	0.000	1.400
HRA06 Total			1.745	0.000	0.000	0.000	0.000	1.745
HRA08	H1121	Roof Finish-Pitched/Structure/Gutter/Downpipes	0.533	0.000	0.000	0.000	0.000	0.533
HRA08	H1123	Chimney	0.126	0.000	0.000	0.000	0.000	0.126
HRA08	H113A	Lift Refurbishment – Canberra Towers	0.070	0.000	0.000	0.000	0.000	0.070
HRA08	H139C	Remedial Works Following Compliance Inspections	0.100	0.000	0.000	0.000	0.000	0.100
HRA08	H8002	Hants Fire & Rescue Service - Fire Safety (Doors)	0.397	0.000	0.000	0.000	0.000	0.397
HRA08	H8003	Local Authority New Build - Rectification Works	0.100	0.000	0.000	0.000	0.000	0.100
HRA08 Total			1.326	0.000	0.000	0.000	0.000	1.326
HRA09	H0550	Disabled Adaptions	1.300	0.000	0.000	0.000	0.000	1.300
HRA09	H8007	Household Refurbishment Project - Kitchen and Bathroom	0.800	0.000	0.000	0.000	0.000	0.800
HRA09 Total			2.100	0.000	0.000	0.000	0.000	2.100
HRA10	H6315	Decent Neighbourhoods: Shirley	0.080	0.000	0.000	0.000	0.000	0.080

HRA10	H6334	Decent Neighbourhoods: Cuckmere Lane	1.120	0.000	0.000	0.000	0.000	1.120
HRA10	H8006	Tower Block Communal Works	0.612	0.000	0.000	0.000	0.000	0.612
HRA10 Total			1.812	0.000	0.000	0.000	0.000	1.812
HRA11	H1134	Insulation Works - City Wide	0.071	0.000	0.000	0.000	0.000	0.071
HRA11	H1135	External Wall Insulation - Kingsland Estate	0.133	0.000	0.000	0.000	0.000	0.133
HRA11	H8005	External Wall Insulation - Low Rise	1.000	0.000	0.000	0.000	0.000	1.000
HRA11	H8010	Removal of Gas from Tower Blocks	0.200	0.000	0.000	0.000	0.000	0.200
HRA11 Total			1.404	0.000	0.000	0.000	0.000	1.404
HRA01	H1290	Hants Fire & Rescue Service - Fire Safety / Sprinkler Project	8.413	6.100	2.000	0.000	0.000	16.513
HRA01	H1113	Structural Works	5.421	5.062	3.768	2.993	0.000	17.244
HRA01	H0281	Housing Health & Safety Rating System - Approved	0.000	0.000	0.000	0.000	0.200	0.200
HRA01	H4593	Tennant Alteration Budget	0.000	0.000	0.331	0.331	0.331	0.993
HRA01	H139A	Water Quality Remedial Works	0.400	0.100	0.100	0.100	0.100	0.800
HRA01	HCAP1	Structural Works	0.000	0.834	0.834	0.700	0.700	3.068
HRA01	HCAP2	Non High Rise FRA Remedial Works	0.000	0.100	0.100	0.050	0.050	0.300
HRA01 Total			14.234	12.196	7.133	4.174	1.381	39.118
HRA02	H1116	External Windows and Doors	0.898	0.050	3.000	2.500	4.998	11.446
HRA02	H1128	Electrical Heating Systems	0.138	0.000	0.000	0.250	1.710	2.098
HRA02	H1355	ECO: City Energy Scheme	1.355	1.166	0.000	0.000	0.000	2.521
HRA02	HCAP3	Millbank House EWI Refurbishment	0.000	0.000	0.000	2.000	2.000	4.000
HRA02	HCAP4	Millbrook House - EWI Upgrade	0.000	0.000	0.750	0.750	0.000	1.500
HRA02	HCAP5	Milner Court Heating Upgrade	0.000	1.000	0.000	0.000	0.000	1.000
HRA02	HCAP6	Albion Towers Heating	0.000	0.000	0.000	0.650	0.000	0.650
HRA02	HCAP7	Gas Heating Upgrades/Refurbishments	0.000	0.600	0.750	0.938	1.172	3.460
HRA02	HCAP8	Insullation Upgrades	0.000	0.050	0.253	0.253	0.599	1.155
HRA02	H8004	Energy Company Obligations - Canberra Towers	0.100	3.400	2.800	2.800	2.800	11.900
HRA02	H8008	Energy Company Obligations - Thornhill Heating	5.674	3.100	0.800	0.000	0.000	9.574
HRA02	H8009	Energy Company Obligations - Lydgate - External Wall Insullation	0.050	0.900	0.000	0.000	0.000	0.950
HRA02 Total			8.215	10.266	8.353	10.141	13.279	50.254
HRA05	H6570	Townhill Park Regeneration	7.704	2.193	4.807	2.312	1.333	18.349
HRA05	H6720	Estate Regeneration Woodside/Wimpson	7.132	15.278	4.233	1.180	0.000	27.823
HRA05	HCAP13	GN New Homes	0.000	0.000	0.000	0.000	3.343	3.343
HRA05 Total			14.836	17.471	9.040	3.492	4.676	49.515
HRA03	H1115	Door Entry Systems	0.058	0.159	0.319	0.364	0.352	1.252
HRA03	H1122	Wall Structure & Finish	0.500	0.250	0.500	0.700	1.672	3.622
HRA03	H118A	Housing Refurbishment Programme	1.200	0.850	1.063	1.328	1.660	6.101
HRA03	H1154	Lift Refurbishment - Shirley Towers	0.000	2.159	0.308	0.308	0.308	3.083
HRA03	H1110	Communal Areas Works	0.273	0.647	0.979	0.497	0.400	2.796
HRA03	H012A	Roofing Lot 1 West	4.249	4.000	4.000	4.000	6.560	22.809
HRA03	H1272	Renew Porch/Canopy	0.000	0.050	0.250	0.300	0.372	0.972
HRA03	H1261	Refurbish Balconies Approved	0.000	0.000	0.342	0.149	0.123	0.614
HRA03	HCAP9	Block Modernisation Programme	0.000	1.100	2.200	4.190	4.130	11.620
HRA03	HCAP10	Electrical System Upgrades/Refurbishments	0.000	0.100	0.125	0.156	0.195	0.576
HRA03 Total			6.280	9.315	10.086	11.992	15.772	53.445
HRA07	H1740	Renew Warden Alarm	0.494	0.414	0.518	0.518	0.000	1.944
HRA07	HCAP11	Disabled Adaptations	0.000	1.600	1.600	1.600	1.600	6.400
HRA07 Total			0.494	2.014	2.118	2.118	1.600	8.344
HRA04	H6319	Decent Neighbourhoods: Estate Improvement Programme (EIP)	0.139	0.100	0.100	0.120	0.140	0.599
HRA04	H1133	Roads/Paths/Hard Standing	0.332	0.321	0.321	0.321	0.321	1.616
HRA04	H033A	Decent Neighbourhoods: Future Decent Neighbourhood Schemes	0.242	1.142	0.259	1.432	0.000	3.075
HRA04	HCAP12	Decent Neighbourhoods	0.000	1.800	1.800	1.810	1.820	7.230
HRA04 Total			0.713	3.363	2.480	3.683	2.281	12.520
			53.159	**54.625**	**39.210**	**35.600**	**38.989**	**221.583**
Sources of Finance								
	Council Resources		19.246	10.324	8.541	3.612	6.912	48.635
	Capital Receipts		8.159	6.140	2.862	3.162	2.424	22.747
	Contributions		2.151	0.255	0.188	0.000	0.000	2.594
	MRA		14.151	29.969	20.442	21.039	21.525	107.126
	Direct Revenue		9.452	7.937	7.177	7.787	8.128	40.481
	Total Programme		**53.159**	**54.625**	**39.210**	**35.600**	**38.989**	**221.583**

SOUTHAMPTON CITY COUNCIL

SOUTHAMPTON CITY COUNCIL
CAPITAL STRATEGY
2018/19 TO 2022/23

FEBRUARY 2019

Capital Strategy 2018/19 to 2022/23

Contents

SECTION 1 - THE SOUTHAMPTON CAPITAL STRATEGY

Aims of the Strategy and its links to the Council's budget framework

The overarching aim of the Southampton Capital Strategy is to provide a framework within which the council's Capital Investment plans will be prioritised and delivered. These plans are driven by the Southampton City Council Strategy, the City Strategy and the City Vision - "Southampton - a city of opportunity where everyone thrives"

Reflecting the ambition and vision above the council's priority outcomes are:

These objectives reflect the on-going commitment to ensure the council puts residents and the customers at the heart of everything we do, reflecting the city's diversity. Strong leadership is essential if the council is to meet the immediate and the medium term challenges in sustainable way and make the most of future opportunities.

We have moved to outcomes based planning and budgeting as an approach and as a result, to manage our resources effectively to deliver these priority outcomes, we have allocated resources against each of them. We have considered what is being achieved from the services provided and focused on what makes the most difference to residents, customers and businesses. Under each outcome, we then identified proposals to reduce costs in the following areas:

- Business as usual - being more efficient in how we manage and deliver our services on a day-to-day basis
- Digital savings - changing and improving how we deliver services, making better use of online channels
- Service delivery changes - redesigning, sharing, stopping, reducing or changing services

We expect the shape of the council, including the types of services we deliver and how we will deliver them, will be very different over the coming years. The council Strategy sets out that this will be achieved through:

- Taking personal responsibility
- Working through and with others
- Embracing change
- Balancing commercial demands
- Being customer orientated

The Capital Strategy

The council's Capital Strategy is to ensure the council is able to plan and allocate the available resources for capital projects and programmes that contribute to the delivery of priority outcomes in the council Strategy and sets out the long term vision giving consideration to risk and reward. In order to demonstrate that that the council takes capital and investment decisions in line with its strategic priorities, and to ensure that it takes account of stewardship of assets, value for money , prudence, affordability and sustainability the council is committed to fully appraising the capital investment process. The Capital Strategy is also intended to how both capital expenditure, capital financing and treasury management contribute towards service potential and how the associated risk is managed effectively. The principles of the strategy are as follows:

- The Council Capital Board (CCB), chaired by the Cabinet Member for Finance, leads on the strategic direction of capital investment for the council. The CCB operates on a commissioning basis. This will enable funding to be better aligned with other partners and funding sources and ensure a city wide approach is taken.

  The commissioning approach will be of greater importance with the increased requirement for links to regional and sub-regional strategies and programmes and the need to apply for funds on a regional basis. As a result, the council must also ensure that its Capital Strategy reflects the vision set out by the LEP, PUSH, and Transport for South Hampshire. These partnerships aim to work together with other stakeholders to secure a more prosperous and sustainable future for the Solent area.

- The first call on capital resources will always be the financing of any over programming from previous years. In addition, all projects already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete.

- A capital project sponsor must also be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving or efficiency are encouraged.

- All capital investment decisions will be made with reference to council outcomes, priorities, Executive commitments and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, will a project be considered for resource allocation.

- The CCB will ensure that the council can take full advantage of the increased freedom and flexibility afforded by the removal of ring fencing from most funding allocations to facilitate the achievement of the council's priority outcomes. This funding will be allocated as the CCB feel is appropriate to achieve these outcomes, following receipt of a robust business case. Regard will however be had to obligations around the transport agenda, and asset management plans for schools and corporate assets, particularly around health and safety issues.

- The non-ring fenced and corporate resources will managed by the CCB and it will review all capital bids for resources, evaluate them and then agree on the prioritisation of resources accordingly. A proposal will be prioritised in accordance with criteria set out in Section Four of this Strategy.

- The CCB will also review the use of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the council and achievement of council outcomes, priorities and Executive commitments.

- The CCB will recommend the use of both non-ring fenced and ring-fenced resources and also the general prioritisation of resources so that Cabinet/council can make well informed final decisions on the utilisation of resources, as per the timeline set out in Section Five.

- There will be no ring-fencing of capital receipts to specific projects unless the use of the receipt is governed by legislation or by a specific agreement. For example, the council signed an agreement on the use of retained Right to Buy (RTB) receipts in June 2012 (amended in June 2013) which stipulates that any receipts held by the council under the agreement, which are not used for the specific purpose of providing replacement affordable housing, must be returned to Ministry of Housing, Communities and Local Government.

- New reforms such as the HRA removal of the borrowing cap announced by the MHCLG on the 29th October, 2018 will give the council greater freedoms surrounding HRA borrowing for building homes. A dedicated task group has been created in order to respond to this opportunity. The Capital Programme is currently being updated to 2022/23 with levels of voluntary 'Minimum Revenue Provision' (MRP) under review. This will be reported in the Medium Term Financial Strategy at full council in February 2019.

- There will be an annual review of the individual capital schemes undertaken to:
  a) Ensure that schemes still meet strategic priorities and outcomes via a capital appraisal process;
  b) Review their continued relevance in the context of a dynamic and constantly developing organisation;
  c) Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and re-phasing of planned expenditure; and
  d) Identify any unutilised or underutilised resources.
  e) Consider any reallocation of resources.

- All applications/bids for external capital grant funding will be presented to the CCB prior to submission to ensure they are in line with agreed priorities and outcomes and that all capital and revenue consequences have been considered. The council is conscious that the Government is likely to introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The council's strategy will be to respond as it considers appropriate to these in line with priorities and outcomes.

The Wider Region

Solent Local Enterprise Partnership (LEP) Update

The Solent is a unique place with unique challenges and opportunities. This update has set out some of the key challenges and opportunities that the Solent LEP faces. The Solent area is an internationally recognised key economic hub anchored around the Southampton, Portsmouth, the Isle of Wight, the M27 corridor and the Solent waterway.

The Solent Local Enterprise Partnership (LEP) was formed after the Government offered local areas the opportunity to take control of their future economic development. It is a locally-owned partnership between businesses and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

A number of additional, supplementary documents have been published in the interim period from 2015, including impact assessment, sector assessments (maritime), infrastructure and investment plans. Many of these are referred to in the 'Productivity and growth strategy update February 2017'. This update seeks to help frame policy and investment decisions, ahead of a refresh of our Strategic Economic Plan.

Since the publication of the Solent Strategic Economic Strategy in 2014 and Growth Plans in 2014, 2015 and 2016 the Solent LEP have continually assessed what capabilities needed to deliver growth and prosperity in the future in the Solent. Investments will be focussed on activity that will help to give businesses and individuals the support they need to respond to any new challenges such as the imminent change in our relationship with Europe.

In 2017 a five point plan was published to guide partners and support the on-going development of a new Solent Strategic Economic Strategy.

- Address deficits in infrastructure, most pronounced in transport, also in flood defence and superfast broadband, and the infrastructure required to unlock new development opportunities
- Address the serious and chronic shortage of housing in the Solent area.
- Develop the skills that our economy needs to succeed, with a continued focus on higher level skills, apprenticeships and STEM (Science, Technology, Engineering and Maths).
- Ensure that ideas and knowledge are at the forefront of our approach working with our world class universities to support our businesses to innovate and grow.
- Address the economic challenges across the Solent area.

The Solent economic strategy update began in 2017 with a series of discussions with key local stakeholders (including local business, academia and the public sector) to shape a new vision for the Solent Economy going forward.

This vision needs to provide a clear statement for the future of the economy so that the Solent is positioned to respond to the opportunities and challenges ahead.

Productivity and growth will remain as key issues in the new Solent economic strategy and in the imminent development of a Solent (Local) Industrial Strategy. The Government has set a clear agenda to raise productivity in the UK and see this as the central long-term economic challenge facing the country. The government's approach to raising productivity, set out in the 2015 Productivity Plan, is based on:

- encouraging long-term investment in economic capital, such as technology, innovation, infrastructure, and skills; and
- creating a dynamic economy which ensures resources are put to their best use.

The Industrial Strategy sets out how plans to build a Britain fit for the future, positioning the UK at the forefront of what is referred to as the fourth industrial revolution by helping businesses create better, higher-paying jobs with investment in the skills, industries and infrastructure of the future. The focus is on five foundations: ideas, people, infrastructure, business environment and places.

The underperformance of the UK in terms of productivity is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. The productivity gap to the regional average is explained by the relatively high concentration of jobs in the Solent economy in lower productivity sectors such as health and social work and a lower share of jobs in higher value sectors such as financial activities; and information and communications.

By accelerating job growth in higher value sectors, the Solent LEP area will be able to close the productivity gap over the medium to long term. In the longer term to 2036 GVA in the Solent LEP area is forecast to grow by 2% per annum and this is slightly slower than both the south east (2.2%) and the UK (2.1%) as a whole.

Future priorities relevant to Southampton partly relate to a focus on strategic projects such as Southampton Airport Economic Gateway, Itchen Riverside and also on transport projects such as Solent Metro. Other thematic priorities include infrastructure, skills, innovation, enterprise and a focus on science.

In 2017 the main priorities for the Solent areas included:

- 'Developing our Economic Infrastructure' with improved connectivity, with a strengthened pipeline of infrastructure projects, with the release of public land assets to accelerate employment growth and/or housing delivery.
- 'Skills' with the delivery of the Solent Area Review, the refresh of the skills strategy and explore the implications of automation, autonomy and the increasing use of Artificial Intelligence.
- 'Science and Innovation' including the development of a Solent Innovation Strategy informed by a science and innovation audit, an assessment of the economic value of Solent Area universities and by building on the opportunities for transferring enabling technologies and emerging technologies (such as high-performance computing and big data; advanced materials and composites; nanotechnology and nanophysics; autonomous systems; high

power lasers; and optoelectronics and fibre optics) across the industry sectors and sub-sectors.
- ‘Enterprise’ with further development of the Solent Growth Hub to engage with more local businesses, with the on-going provision of funding and support for innovative, high growth businesses as well as support those business that are experiencing challenging trading conditions.
- ‘Strategic Sectors’ with a particular focus the value of the strategic marine and maritime sectors, whilst increasing the focus on growing sectors based around professional, scientific, and technical activities and with a renewed focus on tourism and the visitor economy.

Solent LEP prioritisation for capital programmes will use a scored methodology which is outcome based and focuses on the delivery of outcomes such as the creation of new homes, new jobs and infrastructure projects to support local economic growth.

The Solent LEP Board comprises of a fully elected board of 15 Directors, democratically elected by its members and underpinned by robust, transparent and accountable delivery structure. A Funding, Finance and Performance Management Group supports and advises to the board in relation to overall performance.

Economic Development

The City council is working with key partners including Solent LA’s, business organisations, Higher and Further Education, the Department for Trade and Investment, training providers and businesses to generate economic growth in the city to strengthen Southampton’s reputation as a place that welcomes and supports business growth.

The current focus is on supporting the attraction of new businesses to the VIP development schemes included in the City Centre Masterplan, providing property solutions for business, sector development and facilitating businesses’ support services to maximise the potential of the City through the enhanced cultural, retail and hospitality offer, improving productivity, and ensuring that all residents can benefit from, and contribute to the City’s growth. The Economic Development and Skills team has an active programme for working with developers and occupiers to ensure that residents of the city are given the opportunity to gain employment created by major development schemes. It also levers significant external funding for labour market interventions.

Estate Regeneration

In 2009 Southampton City Council launched its Estate Regeneration programme, this outlined the vision to create successful communities on its estates where people will want to live in the future.

Estate regeneration schemes followed at Hinkler Way, Laxton Close, Exford Avenue, Meggeson Avenue, Cumbrian Way and Weston Lane. The preparation for these projects were funded by the HRA (with some of this funding being repaid through grants and land receipts). A mixture of homes for sale and Housing Association funded affordable homes (for rent and shared ownership) were provided plus new shopping parades in some developments. These projects were not designed to create council owned homes.

In August 2013, the administration outlined an aspiration for estate regeneration development to be council led with the HRA acquiring new homes for rent (at Affordable Rent levels). The initial focus of this work was Townhill Park, which was identified as the council's first area of comprehensive regeneration.

In 2017 construction commenced on 56 general needs affordable homes on Plot 1 at Townhill Park, with completion planned for May 2019. The work is ahead of schedule and the homes will be handed over in early February, and the flats at the beginning of April. The homes are being constructed for the council by Drew Smith Group, the council will own the properties all of which will be available at affordable rents. The council's investment in Plot 1 is supported by a grant from 'Homes England' and money received in Section 106 payments from private housing developers and right to buy receipts. The council's wider plans for Townhill Park across a number of plots are intended to deliver around 665 new homes. In February 2018 the Chancellor confirmed Southampton's successful bid for £3.75M from the Housing Infrastructure fund towards Townhill Park Regeneration, this grant is to fund road improvements, including traffic calming, to Meggeson Avenue and the development of a ~~village green~~ new central open space. The formal grant offer was received in September 2018 and work is ongoing to enable formal agreement to be reached with Homes England to allow work to commence and is to be completed by March 2021.

The council is currently using and exploring a number of different models for development and funding of new homes across the city, these include:

- **Direct Development** within the HRA –two developments are currently on site and under construction, these include Townhill Park Plot 1 (56 homes) and Potters/Kiln Court (84 homes with extra care and 15 general needs age designated homes)
- **The sale of** sites to Housing Association Partners – this includes the former Lordshill Housing Office site plus sites in Andromeda Way and Lower Brownhill Road.
- **The potential sale of sites to institutional funding partners** – this could make completed units available to the council through finance leases with options to purchase. This is being explored particularly in relation to the former Oaklands School Site and Plot 2 in Townhill Park.

The housing targets for Southampton are set out in the Southampton City Council Housing Strategy 2016-2025 and the Southampton Core Strategy 2006-2026. This currently states that there is a requirement for an additional 16,300 housing units for the city by 2026.

Despite the council owning 16,000 properties there is still an urgent need for social and affordable housing with over 9,000 families currently waiting for homes on the housing register.

In 2018 the administration set a target of developing a 1,000 council owned homes in a five year period. A plan is therefore currently being developed for the delivery of 1,000 homes over 5 years with sites identified, a method of taking these forward, and a timeline.

As part of the Autumn Budget 2017 the government confirmed its commitment to delivering 300,000 homes per year and on the 29th October 2018, the Housing Revenue Account (HRA) borrowing cap was formally removed with the publication of the Limits on Indebtedness (Revocation) Determination 2018. Southampton City Council responded to this opportunity with the formation of a dedicated task and finish group. The terms of reference of this group and representation by senior managers across the council was approved by the Councils capital board in November 2018. The Service Director for Adults, Housing and Communities was appointed as the lead for the task and finish group. The approved purpose of task and finish group are to:

- Evaluate the implications of the removal of the cap, in order to maximise any opportunities that support delivery of the council's strategic objectives.
- Consider whether any additional prudential indicators are required and to propose these.
- Test the assumptions that have been proposed as part of the HRA 30 year business plan review.
- Agree the methodology that the council will use to assess the financial viability of new build proposals under various models.
- Make recommendations over future governance arrangements and how this work is best coordinated and delivered as 'business as usual'.
- Prepare a short report for consideration at Full Council in February 2019.

Key Priority Issues

<u>Housing</u>

The Southampton Core Strategy identifies a housing requirement for the city of 16,300 by 2026. Local Plans for homes include delivery of priority home categories including affordable, starter home for first time buyers, council new-build and extra care, by making use of exception sites including redundant public land. A commitment has been made to develop at least 2,000 new starter homes within the city. This has been supported to date by additional government funding including;

- The Help to Buy scheme which has been in place since 2013, to ensure that working people who were doing the right thing and saving for a deposit could achieve their aspiration of buying their own home through Government support.
- The Help to Buy ISA was introduced from 1st December 2015 whereby first-time buyers can save up to £200 a month towards their first home and the government will boost their savings by 25%, or £50 for every £200, up to a £3,000 bonus.
- Additional funding streams, such as for low-cost home ownership are intended to be available for councils as well as housing associations and private developers. Councils are encouraged to think creatively about the homes they could deliver.

In the Autumn Budget 2018 the government built on previous budgets in relation to a focus on new homes and supporting the development of more social housing. This included:

- An announcement that the Housing Revenue Account (HRA) borrowing cap has been abolished from 29th October 2018, enabling councils greater freedom to increase house building in England to approximately 10,000 homes per year.
- Further to the announcement of the abolition of the borrowing cap, the council has set up a dedicated task group to evaluate the implications of the removal of the cap in order to maximise this opportunity as part of the Building Council Homes Programme.

- Stamp duty will be lifted for first time buyers of shared ownership properties worth less than £500,000.
- The Housing Infrastructure Fund will increase by £500M to a total of £5.5BN.
- Town planning rules to be eased allowing for the conversion of under-used retail units to be made into residential properties.
- New partnerships with housing associations in England to deliver 13,000 new homes
- Guarantees of up to £1BN for smaller house-builders.
- Lettings relief limited to properties where the owner is in shared occupancy with the tenant.

During the Autumn 2018, the Government also consulted on the Social Housing Green Paper ‘A new deal for Social Housing’. The paper proposed reforms to ensure social homes provide an essential, safe, well managed service for all those who need it. This included looking at tenant empowerment to ensure that issues are addressed and resolved and strengthening the regulatory framework for social housing. The Government is currently considering the feedback from consultation which closed in November 2018, and any future legislative or regulatory requirements introduced following the Green Paper may have impacts on the way that HRA is managed and the requirements for Southampton City Council as a landlord.

Affordable Housing

In June 2018, the Government issued an addendum to the Shared Ownership Affordable Homes Programme 2016-2021 (SOAHP) introducing additional funding for affordable housing including affordable rented homes. Alongside the announcement to abolish the HRA borrowing cap giving greater freedoms to build more affordable housing the Government confirmed a total of :-

- £1.7bn Grants included within the SOAHP 2016-2021 in a range of tenures between affordable homes and affordable rented homes with around a total of 69,600 total homes forecast announced at the end of June 2018
- This is in addition to the £2BN previously announced October 2017 to deliver social rent across England as well as tenures currently available through the programme.
- £400M announced May 2018 to fully fund the removal and replacement of dangerous cladding by councils and Housing Associations. This funding will come from the current SOAHP. To provide long term certainty £400M grant funding will be coming back into the SOAHP in 2021/22.

Alongside this funding, the government is expanding the existing affordable homes programme to offer a wider range of ways to help people into home ownership and to provide support for those that need affordable housing such as Affordable Rent, Shared Ownership and Rent to Buy.

Building new homes

Following the announcement of the abolition of the HRA borrowing cap formally removed as at 29th October 2018, the council responded by forming an HRA task group to benefit from this opportunity. The objectives of the task and finish group are:

- To explore and evaluate the implications of the removal of the cap in order to maximise opportunities for the Authority and support the delivery of the council's priorities in line with the Southampton City Strategy 2015-2025
- To update and develop the city's Housing Strategy
- Agree and consider any additional prudential indicators to address affordability
- Assess the financial viability of schemes and agree methodology for proposals under various models
- To make recommendations for embedding governance and how delivery of the work is best co-ordinated

A report will go to full council this month during February 2019. A project plan for which the council is seeking support is to deliver 1000 homes over five years. The project will include:

- Identifying key sites within the city to support these additional homes
- To explore a range of sites with mixed options for redevelopment
- To address individuals requiring a range of special needs including care and disabilities (Research demonstrates a need for an addition of 450 homes with care)
- Exploring the use of external consultants to for redesign, development and initial project scoping
- The use of a financial appraisal system on key sites to identify viability
- Ensure early planning consultation to identify issues early within the process

A government grant of £0.050M has been awarded to the council in order to start initial feasibility studies and project scoping.

Southampton Business Improvement District

In November 2016, City Centre businesses voted in favour of the establishment of a Business Improvement District (BID). Over £1M will be generated for each year from 2018/19 to 2022/23, through a levy of 1.5% of business' rateable value in the specified BID area (with some concessions). The funds will be overseen by the businesses via a Board, and allocated for activities to improve the marketing and experience of the City Centre. Delivery must add value to council services, for which a baseline agreement will be in place. The BID has the potential to match fund and augment existing services, to consider alternative delivery models in the future, and to lever additional resources to the City. This will support the council's outcomes and priorities, particularly in relation to economic growth.

Public Sector Plc (PSP)

Southampton City council on the 15th of September 2014 entered into a limited liability partnership with PSP Facilitating Limited and PSP Southampton LLP for a minimum period of 10 years.

It provides the council with an additional option with regard to the disposal, sale or use of its assets to maximise income and opportunity. The relationship brings funding opportunities which are not traditionally available and the formed LLP is required to demonstrate its value to the council before projects are agreed for delivery.

The aims and aspirations of the Partnership are as follows:

- Overall to be a facilitating organisation and development partner for the council enabling it to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the council's operational properties and investment properties;
- To undertake specific regeneration opportunities by entering into land transactions that achieve the success criteria in a way that maximises the commercial benefits of the Sites;
- To act as a facilitating organisation giving the council choice as to how it pursues its asset management plans; and
- To assist in achieving broader social, economic and environmental outcomes through true partnership working incorporating the insourcing principle which optimises the use of council staff and infrastructure where it is practical and prior to the appointment of any third party.

To date option agreements have been entered into with the partnership in respect of land at Drivers Wharf, 160 -164 Above Bar (The Scholars Arms) and 150 – 162 High Street.

Flood Defence and Coastal Erosion

Southampton has 35km of coastline including areas around Redbridge, the Docks, Northam, St Denys, Woodmill, Bitterne Manor, Woolston and Weston. Our greatest flood risk is tidal, with around 10% of the city at risk from flooding from the sea. Southampton also contains a number of main Rivers that can pose fluvial flood risk, including the River Test, River Itchen and a number of smaller brooks and streams. Additionally, surface water flooding can occur anywhere in the city following heavy rain, particularly when rainfall is unusually intense or prolonged, overwhelming the local drainage network.

The council is committed to protecting existing and new developments from flood risk through the development of flood defences to protect vulnerable areas alongside the River Itchen, which will be designed to integrate with the city's existing infrastructure.

A report was presented to Capital Board and council in March 2016 providing details of the River Itchen Flood Alleviation Scheme (RIFAS) identifying the need to strengthen flood defences in that vicinity to:

- Provide strategic flood defence infrastructure that will reduce the tidal flood risk for existing commercial (775) and residential properties (1434) in this area over the next 100 years which will avoid approx. £1.39BN of flood damages in present day cash terms (which is equivalent to £249M present value); and
- Provide strategic flood defence infrastructure that will be future proofed to enable future redevelopment in the area when these aspirations are realised.

It was envisaged that this project will be a collaboration between the council, the Environment Agency, Solent LEP, private companies and landowners.

Due to the large scale of the project work is still ongoing to assess potential additional external funds, along with alternative proposals should funding not be secured.

The Autumn Statement announced that there will be government support for flood defence of £13 million for the UK to tackle risks from floods and climate change, through pilot projects to ensure property owners have the best information on protecting their homes, and expanding the flood warning system to an additional 62,000 at-risk properties.

An area at Weston Shore has been identified as of concern due to coastal erosion processes threatening the nearby cycle path and Southern Water infrastructure. A proposed coastal erosion defence scheme will construct a modular concrete retaining wall to protect these assets from 2019/20 over two years, at total cost of £1.0M financed partly by a £0.2M grant from Strategic Transport Cycleway Maintenance Fund with the remaining being funded by CIL monies.

<u>Commercialisation and interests in other entities</u>

Considering the continued financial challenge facing the council there is an increased need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them.

Cabinet approved at its meeting in December 2016 to undertake the necessary works to explore option for a LATCo. Following public consultation, the council is now seeking to establish a LATCo which will have a number of objectives, including:

- To enable the on-going transformation of a range of in-scope council services, particularly the need for a new operating model that supports cost efficiency in the delivery of services back to the council together with further commercialisation and potential trading opportunities.
- To maximise the effective, efficient and economic management and operation of the in-scope services.
- To develop a commercial capacity that can, where appropriate and in the public interest, profitably trade the services with other councils, public sector organisations, businesses and, where relevant, residents of the City and the broader commercial market.
- To support the council in achieving its aim of continuing to grow the local economy, bringing investment into the city and increasing employment opportunities for local people.

Work has been progressing and following an initial Best Value consultation undertaken in 2017, Cabinet agreed to proceed with the option of establishing a LATCo without an external partner as this is in the best interests of the council.

In establishing a LATCo, the council will ensure that the process includes effective due diligence when seeking to maximise the opportunities associated with such ventures. It will seek to secure independent professional advice on all aspects of commercial activity including robust outline business case, tax implications and all aspects of commercialisation

In January 2018 a report was presented to Cabinet outlining the proposed governance arrangements and company structure, along with proposed phasing of the migration of services. A Best Value consultation has now been launched and will run until April 2018. Following the outcome a final report with the proposals and business plans for the LATCo will be presented for consideration and approval by council in May/June 2018.

Other considerations such as joint ventures/joint working arrangements seeking to maximise opportunities and an effective use of resources to ensure that the strategic priorities of both service potentials are addressed.

Demographic Pressures

The Medium Term Financial Strategy details the significant demographic pressures that are impacting the financial position of the authority both now or are likely to in the future. Whilst the revenue implications are being captured there are also likely to be significant capital spend requirements.

A key pressure has been identified as a result of the need to expand secondary school places. Following the primary school expansion programme, there is now a requirement to expand the secondary schools to meet the need for additional year 7 places in the future. It is forecast that the current surplus of year 7 places within the City's secondary schools will be insufficient to meet both demand and the DfE requirement for a 5% surplus. The level of capital Basic Needs grant, which is provided to Local Authorities to increase school places, is based on the differential between the forecast number of children and the number of places within the city. Across the secondary sector the total number of places exceeds demand in the city until 2023, which in turn will likely delay the allocation of any further Basic Needs funding to 2021/22. Therefore during this period any required works to increase the Published Admission Numbers (PAN) of Secondary schools, in order to accommodate the increase in year 7 children, will need to be funded from Council resources.

The current Secondary expansion programme will deliver an additional 1,500 in line with the known demand into the early 2020's. There has been a surplus of Year 7 places in Hampshire which has led to an outflow of children from the City to Hampshire Schools. It is known that this surplus of secondary places will diminish in the coming years the extent and timing of this pushback is difficult to predict however it is likely Southampton will need to create further secondary places for 2025 and beyond.

Property Investment Fund

Local Authorities face a difficult financial climate with ever decreasing funding from Central Government. This has necessitated in councils looking at innovative ways to generate regular revenue streams so they can reduce reliance on Central Government funding.

Many councils are acting to strengthen their funding base and reduce their reliance on Government grant by building asset portfolios that provide a commercial return. They have made the decision to expand their investment property portfolio, which provides an important and substantial revenue income stream, in order to generate a higher level of income by acquiring additional properties.

The council's strategy for undertaking 'Property Investment' activities was approved by Cabinet on 19th April 2016. The key themes of the Property Investment Strategy are to:

- Set criteria for making investments;
- Identify the types of investment and vehicles that would allow for a balanced investment portfolio. Examples which will be considered include direct investment, i.e. properties that already produce income; indirect investment i.e. investing in property investment vehicles such as investment funds; and corporate investment i.e. investment in or acquisition of property management, trading or investment companies.
- Highlight the main property sectors as retail, office, industrial and leisure/healthcare. The portfolio will aim to spread its investment across the sectors to limit exposure to any volatility in a particular area:
- Maximise rental income and minimise management cost thus maximising returns;
- Pursue opportunities to increase commercial return and improve investment value of commercial assets;
- Choose property in locations driven by financial criteria, so may not be in Southampton although property in Southampton will be considered if it meets the relevant criteria; and
- Set the governance and decision structure
- Define a clear exit strategy.

To date £57M has been invested, £30M in 3 commercial properties (with a return on investment of 5.9%) and £27M invested in the CCLA, to manage risk through diversification.

No further investments are planned at this time. The outcome of Central Government's review of the guidance surrounding Local Authority investments has been released. This will now need to be considered by the CCB with a review of the current investments being undertaken in line with the new code of practice recommendations. This review will be considered and reported in the latest Treasury Management Strategy.

The Digital Agenda

A fundamental review has been undertaken of the council's use of technology, with the objective of positioning this not merely as an essential tool for the delivery of services, but rather an intrinsic part of the council's future 'DNA'.

The council aims for its customers to have an increased and better ability to self-serve, online, at a time that suits them, while ensuring that the requisite support is available for customers who do not have the skills or means to interact with us digitally.

The 'Digital' programme comprises two elements.

- The first focuses on 'digitising' high volume, high cost services in order to drive efficiencies through the automation of process and enhanced levels of integrated workflow solution; and
- The second element will build on this fundamental step to position the council as a 'digital' organisation by facilitating better integration of services across departments, ensuring better and more seamless customer journeys.

These initiatives will enable the council to operate a leaner structure, whilst also delivering savings in third party spend (with contractors and suppliers) and assets (such as property and office accommodation). These will be through enabled reductions in facility requirements, customer contact structures, consolidation of back office and corporate service functions and retirement of old IT legacy. This is currently being progressed through the implementation of an Enterprise Resource Planning System.

SERVICE PRIORITIES

Schools

The Council has a statutory duty to ensure that there are sufficient school places in the City, promote high educational standards, ensure fair access to educational opportunity and promote the fulfilment of every child's educational potential. This is reflected within the Council's priority outcome of children and young people getting a good start in life.

To support the achievement of this outcome a comprehensive Capital Programme is essential to ensure that there are sufficient places available, which enables parental choice and that are of appropriate quality fabric to promote a safe and suitable environment for educational attainment.

The programme is developed in line with the City's Education Strategy and considers both the expansion of school places through development of existing sites and new build projects in conjunction with local need and preference. In addition the maintenance and fabric of the existing buildings is a high priority to ensure all children continue to receive their education in a safe and supportive environment.

After undertaking a programme of Primary school expansions in recent years there is now a need to expand the number of Secondary school places to accommodate the additional pupils currently at Primary age. As part of the February 2018 Capital Programme update approval is being sought for a £67M project to deliver the places required. This is in addition to the £10M already committed for improvements to 3 Secondary schools.

The Council does not currently have sufficient special school places to meet the demand and needs of the Special Educational Needs and Disability ('SEND') population. On 16th March 2016 Council approved plans to expand Springwell School and work has begun on 10 classrooms, a hydrotherapy pool which will be available out of school hours to parents of SEND children, a sensory room, hall, catering kitchen and associated supporting facilities for 128 children. This expansion will assist a number of children and young people get a good start in life, which is crucial to enabling them to go on to fulfil their potential and become successful adults who are engaged in their communities. The work is due to be completed during 2019/20.

The SEND provision across the City is subject to strategic development and this will require significant capital investment to provide places by 2022. Southampton City Council has submitted a Free School bid; if successful this would secure significant inward investment in SEND places. If the bid is unsuccessful the Southampton will need to find circa £30M to provide sufficient capacity for SEND

Transport

The Council's Transport Asset Management Plan (TAMP) remains the backbone of investment decisions on the maintenance of the highways assets, and is instrumental in determining the appropriate level of investment required to maintain the condition of the roads and pavements in the City. The overall condition of the highway network and ability to assist in providing high quality transport links for all modes is seen to be a key priority in terms of providing an indication of the health and vitality of the City.

Additionally, a programme of Integrated Transport Schemes is determined by the Local Transport Plan (Implementation Plan). These schemes focus on walking, cycling, public transport, road safety, congestion reduction and public realm improvements. Collectively they aim to deliver against the Local Transport Plan aims and objectives. They also directly contribute to core council outcomes such as delivering strong and sustainable economic growth and ensuring Southampton is an attractive and modern city.

As such schemes are prioritised through a series of criteria to identify what schemes will be delivered as part of the capital programme each year. In 2016/17 the council committed to utilising the full LTP Integrated Transport grant over a 5 year period with plans to invest in schemes such as Electric Vehicle Technology, delivery of the Southampton Cycle Network, city centre public realm enhancements and junction capacity improvements.

Further to this, a need has been identified to make improvements to the roundabout infrastructure along the A33 corridor which includes Millbrook and Redbridge roundabouts. The Millbrook project is underway after the successful award of government funding matched with an SCC Integrated Transport grant. The council is working with Highways England to deliver traffic improvements around the M271 motorway and A35 Redbridge Roundabout, with works expected to start in the spring 2019.

Highways England is also consulting on proposals to improve the A3024 Eastern Access Corridor from the motorway into the City Centre, including a replacement Northam road over rail bridge and a package of highway junction improvements aimed at boosting productivity and supporting delivery of housing and jobs by easing congestion and improving journey time for all modes along the A3024 corridor in Southampton.

E&T – City Services

Within Southampton local recycling rates have plateaued and waste growth is expected in line with increased housing numbers. Therefore a new Materials Recycling Facility will be required to future proof capacity and realise efficiencies. Work will need to be undertaken to assess viable options along with potential funding sources. Negotiations are ongoing surrounding the funding of this project.

The Green City Charter

The council is proposing to develop a new citywide Green City Charter which will seek to deliver actions that will reduce pollution and waste, minimise the impact of climate change, stop health inequalities and create a more sustainable approach to economic growth. The Green City charter will identify a clear set of objectives that are aligned with national priorities. As well as setting a set of commitments and actions for the

Council to deliver, it will seek support from partners across the city to do the same. A sum of £0.03M has been identified to develop a work plan involving both internal and external engagement to develop the proposal further, ensure priorities reflect the city's needs and establish a set of ambitious targets and a delivery plan for the Council. The Green City Charter and the council's action plan will be presented to Cabinet in spring 2019.

Leisure

Southampton strives to be a healthy place to live and work with strong, active communities. To accomplish this a number of proposals for the City's leisure facilities are being investigated; including provision of an integrated water sports facility to capitalise on the City's waterfront location, revised sustainable facility at the Quays Leisure Centre and redevelopment of the Sports Centre.

Housing

In line with the executive commitment to develop council owned buildings that are empty work is underway around the Central Station for starter homes, to be sold to young people who want to get on the property ladder at a discount. An opportunity for refurbishment/redevelopment of the Nelson Gate site to provide some residential element alongside office use is currently being appraised. A draft masterplan has been produced to assess land on the south of the station, to include a mix of offices, retail and housing.

Through its LATCo proposals, the council is committed to setting up a letting agency as a 'fair deal' competitor to expensive commercial letting agencies. The proposal is focused on expanding the capacity and capability of the current lettings function the council provides to tenants, to include other properties and tenures including market rented property. This may develop alongside estate regeneration and city development proposals as PRS providers / investors are engaged.

Leader's Portfolio

There is an outline concept for the creation of a new Public Sector Community Hub in the east of the city incorporating a Leisure Facility, Health Primary Care 'Cluster Hub', Library and a Police Public Access point, in a new purpose built building in a central location. This project aims to contribute to the council priority of a modern, attractive city where people are proud to live and work.

Feasibility work has been commissioned and whilst the desire is to promote financially self-supporting regeneration and redevelopment of the area by working with One Public Estate and Public Sector Partners, it is unlikely that the value of released sites alone will generate sufficient funds to establish the Public Sector Community Hub. Alternative funding sources are being investigated as part of the feasibility study, including possible grants.

Southampton is progressing plans for a Business Incubator which will provide office space to small businesses, groups and individuals. This will benefit small and start-up businesses to grow without having to invest heavily up front. The vision of the Business Incubator is to nurture and encourage innovation, whilst supporting strong and sustainable economic growth.

HRA

To achieve the priority outcome of people in Southampton leading safe, healthy, independent lives, the Executive have committed to build Extra Care housing so that older people can live independent lives in a supported environment. In pursuant of this objective, the council has recently delivered the successful conversion and new build projects at Manston, Rosebrook and Erskine Courts, with detailed design of a further facility at Woodside Lodge well under way. It is estimated that there is demand/need for between 500 and 600 units across the City with a potential capital cost of up to £120M (excluding land). Options being investigated will include sharing or passing this cost to development/management partners.

In light of advice from Hampshire Fire and Rescue Service and specialist fire safety consultants, a need has been identified to install sprinkler systems in all tower blocks. Work is currently underway to establish the full programme of works required in 2018/19.

SECTION 2 - CAPITAL RESOURCES

Current Capital Priorities and Potential Investment levels

The table below identifies the major priorities of the capital programme for 2018/19 to 2022/23.

Outcome	**Major Project**	**2018/19 £M**	**2019/20 £M**	**2020/21 £M**	**2021/22 £M**	**2022/23 £M**
Children and young people getting a good start in life	Early Years Expansion	0.56	0.65	0.00	0.00	0.00
	Play Area Improvements	0.38	0.32	0.00	0.00	0.00
	Primary Review & Expansion	1.12	1.12	0.00	0.00	0.00
	School Capital Maintenance	1.84	2.06	0.00	0.00	0.00
	School Expansion Programme Phase 3	1.70	2.38	0.06	0.00	0.04
	Secondary Review & Expansion	4.24	13.88	28.21	11.96	18.59
	Springwell Expansion	3.40	3.83	0.00	0.00	0.00
	Other	0.06	0.00	0.00	0.00	0.00
Southampton is a city with strong, sustainable economic growth	Affordable Housing	0.93	0.00	0.00	0.00	0.00
	Bridges Programme	1.64	0.25	0.00	0.00	0.00
	Integrated Transport	9.86	5.85	2.16	0.00	0.00
	Millbrook Roundabout	0.43	0.00	0.00	0.00	0.00
	Property Investment Fund	0.00	0.00	0.00	0.00	0.00
	Solar Powered Compactor Bins	0.00	1.00	0.00	0.00	0.00
	Other	9.31	0.27	0.85	0.00	0.00
People in Southampton lead safe, healthy independent lives	Anti-Terror Measures	1.05	0.00	0.00	0.00	0.00
	Communal Facilities	2.05	1.14	0.26	1.43	0.00
	Disabled Facilities Grant	1.35	1.85	0.00	0.00	0.00
	Estate Regeneration	1.75	0.00	0.00	0.00	0.00
	Health & Adult Social Care	0.73	0.63	0.50	0.00	0.00
	Improving quality of homes	6.28	9.32	10.09	12.00	15.77
	Making homes energy efficient	8.22	10.27	8.35	10.14	13.28
	Making homes safe	14.23	12.20	7.13	4.17	1.38
	Modern Facilities	2.10	0.00	0.00	0.00	0.00

Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
	Safe Wind/Weather Tight	1.33	0.00	0.00	0.00	0.00
	Supporting Communities	0.47	2.22	2.22	2.25	2.28
	Supporting independent living	0.49	2.01	2.12	2.12	1.60
	Warm & Energy Efficient	1.40	0.00	0.00	0.00	0.00
	Other	14.99	17.47	9.04	3.49	0.00
A modern attractive city where people are proud to live and work	Arts & Heritage	0.18	1.42	0.00	0.00	0.00
	Alternate Weekly Collections	0.12	0.00	0.00	0.00	0.00
	Millbrook Roundabout	7.45	0.00	0.00	0.00	0.00
	Minor Parks Development Works	0.58	0.07	0.00	0.00	0.00
	Outdoor Sports Centre Improvements	0.17	0.40	0.00	0.00	0.00
	Purchase of Vehicles	0.88	3.82	0.00	0.00	0.00
	QE2 Mile	0.00	0.96	0.00	0.00	0.00
	Roads Programme	14.76	6.47	0.00	0.00	0.00
	WWQ	0.17	0.34	0.00	0.00	0.00
	Other	2.62	0.76	0.00	0.00	0.00
Modern sustainable council	Digital & IT	5.29	0.28	0.00	0.00	0.00
	Other	0.45	1.70	0.00	0.00	0.00
	Resources	0.01	0.00	0.00	0.00	0.00
	TOTAL	**124.59**	**104.75**	**70.99**	**47.56**	**57.62**

The capital programme report details all the projects currently being undertaken.

Methods of funding the Capital Programme

Government Grants

Capital resources from Central Government can be split into two categories:

a) Non-ring fenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding and the council will initially allocate these resources to a general pool from which prioritised schemes can be financed.
b) Ring-fenced – resources which are ring fenced to particular areas and therefore have restricted uses, specified by the funder.

Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to the CCB. The business case must demonstrate how the project aligns to council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget.

Local Enterprise Partnership Funding

Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process to award funding is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council.

Prudential Borrowing

The council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing. Prudential Borrowing will also be utilised to cover the cost of initiatives, such as redundancy capitalisation (on receipt of appropriate Government directions), where the reduction in costs is a corporate issue.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in detail in the Treasury Management Strategy.

The PWLB remains the council's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. The council qualified for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2018, through its application via the 2018/19 Capital Estimates Return.

An alternative debt instrument is the UK Municipal Bonds Agency plc, established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing councils may be required to provide bond investors with a joint and several guarantees over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. This is explored in further detail in the Treasury Management Strategy.

The council Capital Board will try to secure all other sources of funding before this source of funding is utilised unless a clear invest to save case can be made.

Capital Receipts

Capital Receipts come from the sale of the council's assets. If the disposal is Housing Revenue Account land or property then not all of the receipt is available to support the capital programme as a percentage has to be paid over to the MHCLG.

Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource.

Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

The current strategy for the use of capital receipts is to:

- Provide for an MRP holiday to the value of external loan payments generating a revenue budget saving;
- Consider use to meet the costs of equal pay claims as detailed below;

- Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites;
- Consider flexible use to meet the costs of reform projects as detailed below; and
- Capital Board approved that in future, assumed receipts from sale of assets not currently on the market will not be taken into consideration when assessing the total value of receipts available to fund the capital programme.

Flexible use of Capital Receipts

The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a ‘reform’ project was issued as part of the Final Local Government Settlement on 11th March 2016. The key points included:

- The direction only relates to new receipts received in the period 1st April 2016 to 31st March 2019 that could be applied to meet the revenue costs of reform incurred in the same timeframe;
- The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority’s net service expenditure and is expenditure on a project where incurring up-front costs will generate ongoing savings; and
- Individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full council or the equivalent at the same time as the annual budget. The guidance provides detail of the content of the strategy and that this strategy does need full council approval in advance of the intended financial year of application. If the strategy is updated during the financial year MHCLG must be notified.
- Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies.

It should be noted that, whilst not a recent change, that the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013 were amended to allow the financial implications of meeting backdated Equal Pay claims from capital receipts in order to reduce the additional pressure the council’s revenue budget position. It provides for any capital receipt received after the 1st April 2012. It is possible that surplus capital receipts could be used to mitigate the impact of this for Southampton City council.

HRA Right to Buy Receipts

In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to MHCLG.

Revenue Contributions

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). The Capital Programme Update Report will detail any amount that is forecast to be available for the next five years, however with increasing General Fund revenue pressures these amounts available will need to be regularly reviewed.

A service or school may wish to offer some of its revenue budget to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

Use of Leasing

The council does have the option to lease assets utilising an operating lease arrangement, with the advent of Prudential Borrowing this source of financing is becoming less attractive. The International Accounting Standards Board have reviewed how leased assets are treated and in January 2016 issued a new standard for annual periods starting on or after the 1st January 2019. This will need to be reflect as part of any future business cases.

Tax Increment Financing (TIF)

The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF. This initiative was first announced in October 2010 as an incentive to grow local economies and attract new businesses to areas and has been the subject of a consultation process.

In essence TIF allows councils to borrow against future increases in Business Rate revenues generated as a result of local developments and growth. By capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.

This approach has been successfully used in the USA for a number of years and the American experience (both positive and negative) has been used to inform the debate on the implementation of TIF.

S106 Agreements

S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it.

These contributions are site specific or can be ‘pooled’ for a maximum of 5 site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.

S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art.

However, since the council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

Consideration of available S106 funding should be taken into consideration when agreeing, for example, the roads programme for future years to maximise the use of the available funding and reduce the reliance on other sources of funding, predominantly borrowing. With the exception of funding for affordable housing the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space will become zero over time as the CIL continues to be applied.

Community Infrastructure Levy (CIL)

CIL was adopted by the council in September 2013. CIL contributions are determined by set rates as detailed within the council's CIL Charging Schedule, and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.

The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.

The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations. In addition, SCC have opted to continue to seek S106 contributions for transport. All other S106s contributions are now agreed through CIL.

The Localism Act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding can be used towards a significant number of the council's current programmes i.e. School Expansion and the Roads Programme.

The CIL funding can be used to fund existing schemes within the current General Fund capital programme that meet the definition of infrastructure. Capital Board approved, at its meeting on the 22nd October 2015, to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.

However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the ward that the receipt originated from, in consultation and agreement with the local community.

CIL monies will be allocated to fund key infrastructure schemes within the overall capital programme, future potential investment sites will be identified and options for utilising CIL monies at these sites will be considered within the overarching capital strategy which supports the achievement of council outcomes, priorities and Executive commitments.

Private Finance Initiative (PFI)

Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.

Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the council. The Government has provided significant support for PFI schemes although this has recently reduced in line with the general reduction in funding for the public sector.

No additional PFI projects are anticipated. Any such proposals would be presented to the CCB for evaluation before presentation for Members approval.

Resourcing Strategy

The council's strategy for deploying resources is to ensure that all resources are being utilised to achieve the council outcomes, priorities and Executive commitments. As most capital financing can be used for projects at the council's discretion, then the council is able to address its own outcomes and priorities to shape the capital programme to a locally rather than a nationally driven agenda.

The council will ensure that it takes full advantage of the freedom and flexibility arising from the removal of ring fencing of resources to facilitate the achievement of council objectives. All non-ring fenced capital funding and other non-specific council capital resources, will be considered a council resource and allocated via the council Capital Board. This resource will then be managed so that only schemes which can demonstrate the attainment of council outcomes and priorities will be allocated funds. The Council Capital Board (CCB) will review the council Strategy and the Capital Strategy each year to ensure the priorities are aligned making recommendations to Cabinet/Council on the prioritisation of resources for:

a) The initial capital programme; and
b) Any subsequent revisions to the capital programme.

Cabinet/Council will make the final decision on the overarching capital programme and will subsequently delegate the updating of the programme and revisions to projects to the Leader of the council and Cabinet Member for Finance, in conjunction with the Service Director - Finance and Commercialisation (S151 Officer), in order to minimise delays in the capital programme.

The CCB will review the usage of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the council.

In determining how non-ring-fenced resources will be allocated the CCB will have regard to:

- The preparation of the statutory Local Transport Plan, and Transport Asset Management Plan (TAMP);
- The preparation of the Asset Management Plan for Schools and council Buildings to ensure health and safety issues have been dealt with appropriately; and
- The council's obligation to finance adaptations to the homes of disabled residents. Funding is passported directly to the Better Care Fund along with the Adults Personal

Social Services grant. It has been agreed with the CCG that these monies will be retained by the council, as part of the S75 pooling arrangement detailed in the Revenue Budget Report.

Grant funding allocations notified to the council also include information about capital maintenance funding for Voluntary Aided (VA) schools. This grant is paid directly to the Church of England and Roman Catholic diocese respectively and is not therefore included within the councils capital programme. Expenditure undertaken by the council on VA schools is planned with regard to the availability of contributions from this grant and diocesan resources.

SECTION 3 - CAPITAL INVESTMENT AND DISPOSAL APPRAISAL PROCESS

All capital investment is commissioned by the CCB. This enables all expenditure and it's funding to be better aligned with the council and City outcomes and priorities as well as that of other partners and funding sources. These partners, from both the public and private sector will be at h a regional and district level.

Once initial strategic capital requirements have been identified and prioritised, full business cases are commissioned for the highest priority projects.

For proposals initially commissioned by the CCB the following approvals process will be put in place:

1. Outline Business Case (OBC) which will focus on options appraisal and quantifiable outcomes.
2. Full Business Case (FBC) – the final investment decision. This will focus on the how the priorities set out in the OBC will be delivered, including:
   a) Project description
   b) Consultation
   c) Expenditure and funding including whole life costs and revenue implications
   d) Outputs
   e) Any further option appraisal
   f) Value for Money
   g) Delivery
   h) Timescales
   i) Risk Management
   j) Sustainability, Forward strategy and evaluation
   k) Asset Management
   l) Procurement
   m) Equality Impact Assessment
   n) Environmental Impact Assessment
3. Change Requests where delegated tolerance levels will be exceeded.

For proposals that are identified by officers there will be an initial extra step in the process, a 'Bid on a Page' will be a Concept Outline. This will cover the initial concept idea, potential costs and funding sources, links to the Council Strategy and the City Plan, how outcomes will be improved.

The main focus is on projects commissioned by the CCB and therefore, these will be the exceptions.

Where there is already an agreed asset management plan the CCB can choose to request elements of the above business case to come forward as they see fit.

How projects are appraised

Capital Projects are appraised using the following criteria:

1. Does the project deliver or facilitate the delivery of a strategic priority outcome?
2. Is it worth planning – is it value for money?
3. Can we afford to progress the project and commit funding?
4. Does the project stimulate or add to economic growth?

Business cases are presented to CCB on the basis that they have had the appropriate clearance by finance, legal, property, and strategy.

SECTION 4 - HOW THE CAPITAL REQUIREMENTS ARE PRIORITISED

Once a project has demonstrated that it meets the council's strategic outcomes, priorities and Executive commitments and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

The criteria examines if the proposal is:

1. Related to mandatory, contractual or legislative service delivery requirements;
2. Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process;
3. Required to support Outcome Plan priorities and achieve key objectives;
4. Linked into other regional objectives;
5. Supporting the evolving localism agenda;
6. Reducing costs or backlog maintenance of assets management/estate management;
7. Providing a general revenue saving (not directly linked to the budget cycle) or offering the delivery of a more efficient service;
8. Fully funded from external resources (including project management etc.);
9. Bringing in substantial external resources for which council matched funding is required

This criteria are reviewed and any changes reported each year in line with the council Strategy. Following this, a process of commissioning alongside officer requests for funding are undertaken and presented to Members each year as part of the process for approving the capital programme, or during the year if projects come forward outside the normal timeframe.

All projects have to demonstrate that they:

- Deliver the highest impact in achieving the required outcomes;
- Are financially sustainable and any adverse revenue implications can be dealt with within existing budgets, and the whole life cost of the project has been considered;
- Have identified risks and appropriate actions to negate these risks;
- Have identified key milestones;
- Have a full exit strategy identified where the project involves a disposal; and
- Have a method of procurement identified and represents value for money.

SECTION 5 - CAPITAL PROGRAMME DECISION MAKING CYCLE

The diagram below illustrates the decision making cycle for capital projects and the link to the revenue budget, the Medium Term Financial Strategy, and the Council Strategy

August

- Align existing projects to Council Strategy, linking to outcomes and priorities

Sept

- Identify Priority Schemes and Invest to Save opportunities, through Exec. Commitments and Business Plans.
- Outline Business cases are commissioned for priority areas
- Call put out for Concept Outlines

Oct

- Outline business cases are reviewed and prioritised
- Concept outlines are reviewed and prioritised
- Capital requirements of revenue savings identified

Nov

- Move to full business case for priorities
- Move to Outline business case for officer identified projects
- Capital Monitoring and Programme Update

Dec

- Settlement information received
- Priorities analysed
- Capital Monitoring and Funding Reviewed and Agreed.

Jan

- Outline Business cases reviewed and where appropriate move to full business case
- Analysis of business cases undertaken

Feb

- Capital Budget Report submitted outlining priority projects for the forthcoming year
- Agree Capital Strategy for the following financial year. Linked to settlement information and review of MTFS assumptions
- Budget set for the year and MTFS approved.

Mar

- CCB identifies which projects it would like to monitor on a regular basis
- Monitoring of the projects pre implementation commences

Apr to July

- Commencement of projects and monitoring put in place

SECTION 6 - HOW THE COUNCIL PROCURES ITS CAPITAL PROJECTS

Cabinet have approved the council's Procurement Strategy and the Southampton First Policy. The implementation Strategy will ensure that the principles and practices associated with procuring works, goods and services consistently achieve value-for-money and actively contribute to the council's priority outcomes as well as to support the achievement of a modern, sustainable council.

The Strategy helps to ensure that procurement becomes an enabler of the business and is sufficiently flexible and agile to support the council to operate in an efficient, compliant and ethical manner to deliver capital projects on time, on budget and to specified quality standards.

Future procurement within the council will consider the whole of the third party spend across capital and revenue categories and budgets to ensure that the total spend and demand are driven downwards to support the budget challenges. Opportunities to consolidate and aggregate spend and achieve economies of scale will be a key focus. There will be an underpinning principle of commercial focus and a drive to better understand and adapt our approach to the markets through risk and reward strategies and utilising commercial mechanisms which incentivise suppliers.

The council's strategic partner, Capita, has a specialist procurement function containing experienced procurement professionals who will support the council's project managers in delivering effective and complaint sourcing of services and works.

This will be coupled with a new and more effective approach to contract management which will ensure the performance of council's strategic contracts is managed by a specialist team and other key contracts are actively managed by Capita. The council will ensure that the procurement - contract management – re-procurement process is treated as a linked cycle to help embed a commissioning-style approach to all forms of procurement.

Regional, joint and framework options will be utilised where value for money, an appropriate structure, compliance with the council's ethical procurement strategy and innovation can be demonstrated.

Immediately after the exit from the European Union (EU), existing UK regulations on procurement, which implement EU directives, will continue to apply. After this transition period, there will be more freedom for the UK to set/change its own procurement rules.

SECTION 7 - HOW THE COUNCIL MONITORS AND MEASURES THE PERFORMANCE OF THE CAPITAL PROGRAMME

The CCB reviews the financial performance of the capital programme on a monthly basis. Financial monitoring reports are therefore considered by Cabinet on a quarterly basis together with a capital outturn report. Issues that have been considered and recommended by the CCB are reported to Cabinet as necessary via the regular financial monitoring reports. Where a potential cost overrun has been identified, the CCB will explore possible solutions in detail. It will also consider any underspending or identified surplus resources which can be reallocated to other priorities.

Where there is a delay in the commitment of programme/project resources, the CCB requires project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of non-ring-fenced resources to other projects. It is recognised that there may be a potential revenue consequences of doing this due to the capital accounting requirement to transfer abortive costs to revenue.

The Local Capital Board for the Education and HRA programme meet to monitor the implementation and delivery of the individual projects they are responsible for. The CCB decides which projects and programmes it would like to receive a regular progress and performance update on, based around strategic importance and associated risk.

The performance of the capital programme is also measured by the prudential indicators which are reported to Cabinet and council as part of the Treasury Management Strategy, the Treasury Management half yearly review, and the post year-end review.

SECTION 8 - THE COUNCIL CAPITAL BOARD

The council Capital Board will be made up of the following members:

- Cabinet Member for Finance and Customer Experience (Chair)
- Leader of the council
- Chief Executive
- Deputy Chief Executive (Chief Strategy Officer)
- Chief Operating Officer
- Service Director - Finance and Commercialisation (S151)
- Cabinet Members
- Service Lead – Corporate Planning & Commercialisation
- Head of Capital Assets

  By invite:
- Service Directors
- Project/Programme Managers

The Board meets on a monthly basis to:

- Discuss and recommend actions around developing capital issues;
- Develop the capital strategy;
- Commission the coming years capital programme;
- Review the capital receipts position;
- Review the assets disposal plan;
- Monitor the performance of the capital programme overall;
- Monitor the performance of strategic and high risk projects;
- Periodically review the strategic fit of projects; and
- On an annual basis recommend the tolerance levels for project variations in time to allow the Financial Procedure Rules to be updated and approved by council.

The full Terms of Reference for the Board are included in the Financial Procedure Rules and will be updated annually to reflect any changes to the council Capital Board. These are attached as Annex 1.

It should be noted that projects maybe proposed through other boards such as the Joint Commissioning Board. Whilst funding, with the exception of the requirement of council capital resources, can be approved by these boards, the requests to changes and additions to the programme should still follow the proposed process detailed in the sections above.

ANNEX 1
COUNCIL CAPITAL BOARD TERMS OF REFERENCE

General

1. To oversee and endorse the council's Capital Strategy.
2. To own and oversee the development of, the council's Capital Programme for both the General Fund and the Housing Revenue Account. Through doing so, and taking a long-term view, the Board should ensure that both individual projects and the programme as a whole is affordable and fits with the councils vision, priorities and outcomes as laid out in the council Plan and other inter linked plans and strategies.
3. To develop and regularly review the processes to support a strategic approach to capital investment planning which will justify investment decisions, taking account of the council priorities within the resources available.
4. To operate according to the approved processes for consideration of all capital expenditure and for new proposed capital projects.
5. To operate as a critical gateway for capital projects put forward for endorsement of concept and for ultimate commitment by the council.

On an Annual Basis

6. To receive bids for inclusion in the council's Capital Programme.
7. To prioritise all bid submissions.
8. To format a multiyear capital programme taking into account projected available resources for submission to Cabinet and or Council.
9. Receive capital monitoring reports (financial and performance information).
10. Receive asset disposal programme update.

On a Monthly Basis

11. Consider all requests for in - year additions and changes to the Capital Programme that are not Officer delegated decisions, in accordance with the limits set out in the Financial Procedure Rules.
12. To review all in - year additions and changes to the Capital Programme that have been made as Officer delegated decisions, in accordance with the limits set out in the Financial Procedure Rules.
13. To oversee, monitor and authorise the progression of capital projects through key stages (to include receiving reports from established project, programme or capital boards as appropriate, and approving variations to schemes).

On an Adhoc Basis

14. Review prioritisation and adequacy of existing scoring mechanism.
15. Review systems of pre-project evaluation including project appraisal and business case justification.
16. Review systems of post project evaluation and application to all completed schemes.
17. To review at appropriate points major projects during the construction stage.

18. To receive post-implementation review presentations after the completion of major projects.

The council Capital Board will be made up of the following members:

- Cabinet Member for Finance (Chair)
- Leader of the Council
- Chief Executive
- Deputy Chief Executive (Chief Strategy Officer)
- Chief Operating Officer
- Service Director - Finance and Commercialisation (S151)
- Cabinet Members
- Service Lead – Corporate Planning & Commercialisation
- Head of Capital Assets

By invite:

- Service Directors
- Project/Programme Managers

BACKGROUND PAPERS/LINKS TO STRATEGY REPORTS 2019/20

The Capital Strategy links and overarches the Treasury Management Strategy incorporating both capital expenditure, debt borrowing, commercial activity and any other long term liabilities. This complies with the latest Prudential Code and those links provide a high level overview of how capital expenditure, capital financing and treasury management actively contribute towards demonstrating how stewardship, value for money, prudence, sustainability and affordability is secured to meet statutory reporting requirements and to allow Members to understand how those principles align to legislative reporting. The reports that provide these links are outlined in the following background papers:-

- Capital Programme update report 2019/20
- Treasury Strategy 2019/20
- Asset Investment Strategy 2019/20
- MRP Statement
- Prudential Indicators

Additionally the above reports link to Treasury Management Practices updates and non-treasury investments such as commercialisation and investments for service potential. The revised Prudential Indicators as reported in the Treasury Strategy 2019/20 have been included within the capital programme update report in Appendix 5.

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	CAPITAL STRATEGY PRUDENTIAL INDICATORS
	Background
1.	The Prudential Code requires the Council to have in place a Capital Strategy that sets out the long term context in which capital expenditure decisions are made In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The following indicators, which were previously included with the Treasury Management Strategy, now form part of the Capital Strategy report but have been included as background, as they provide the framework around which the Treasury Indicators have been set.
	Gross Debt and the Capital Financing Requirement
2.	This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This view takes into account current commitments, existing plans and the proposals in the approved budget.
3.	There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment.
4.	The estimated capital financing requirement and gross debt is shown in the tables below:

Table 1 – Current and Estimated Movement in Capital Financing Requirement

Capital Financing Requirement	31/03/2018 £M	31/03/2019 £M	31/03/2020 £M	31/03/2021 £M	31/03/2022 £M	31/03/2023 £M
Balance Brought forward	322.62	322.03	338.93	345.79	347.27	348.58
New Borrowing	4.41	24.47	16.50	11.63	11.96	18.59
MRP	(7.13)	(5.65)	(6.26)	(6.61)	(6.71)	(7.01)
Appropriations (to) from HRA	0.56	0.00	0.00	0.00	0.00	0.00
Movement in Other Liabilities	(3.78)	(2.47)	(3.38)	(3.54)	(3.94)	(3.93)
MRP Holiday	5.35	0.55	0.00	0.00	0.00	0.00
Total General Fund Debt	**322.03**	**338.93**	**345.79**	**347.27**	**348.58**	**356.23**
HRA	157.92	171.67	182.00	190.54	192.84	199.75
Total CFR	**479.95**	**510.60**	**527.79**	**537.81**	**541.42**	**555.98**
Estimated Debt (*see below for breakdown*)	324.56	343.44	370.62	380.67	384.28	399.21
Under / (Over) Borrowed	**155.39**	**167.16**	**157.17**	**157.14**	**157.14**	**156.77**

Table 2 – Current and Estimated Movement in Gross Debt

Gross Debt	31/03/2018 Actual £M	31/03/2019 Estimate £M	31/03/2020 Estimate £M	31/03/2021 Estimate £M	31/03/2022 Estimate £M	31/03/2023 Estimate £M
Borrowing (Long Term GF)	74.90	68.93	50.33	115.63	120.89	132.49
Borrowing (Long Term HRA)	142.91	137.41	119.54	190.67	192.96	199.86
Borrowing (Short Term)	33.35	66.17	133.20	10.35	10.35	10.35
Total Borrowing (*see Table 18*)	**251.16**	**272.51**	**303.07**	**316.65**	**324.20**	**342.70**
Finance leases and Private Finance Initiatives	58.84	56.74	53.73	50.55	46.98	43.41
Transferred Debt	14.55	14.19	13.83	13.46	13.10	13.10
Total Other Debt	**73.39**	**70.93**	**67.55**	**64.02**	**60.08**	**56.50**
Total Debt	**324.56**	**343.44**	**370.62**	**380.67**	**384.28**	**399.21**

Estimates of Capital Expenditure

5. The Council's planned capital expenditure and financing is summarised below, further detail is provided in the General Fund and HRA capital programme report.

6. **Table 3 – Capital Expenditure**

Capital Expenditure & Refinancing	Budget 2018/19 £M	Forecast 2018/19 £M	Forecast 2019/20 £M	Forecast 2020/21 £M	Forecast 2021/22 £M	Forecast 2022/21 £M
General Fund	81.33	71.41	50.32	31.78	11.96	18.63
HRA	58.76	53.16	54.63	39.21	35.60	38.99
Total Expenditure	**140.09**	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**
Capital Receipts	19.08	18.43	10.03	2.86	3.16	2.42
Capital Grants	27.51	24.66	21.17	19.30	0.00	0.04
Contributions	9.67	10.66	5.79	0.99	0.00	0.44
Major Repairs Allowance	19.76	14.15	29.97	20.44	21.04	21.53
Direct Revenue Financing	12.70	12.95	11.16	7.23	7.79	8.13
Total Financing	**88.38**	**80.85**	**78.12**	**50.82**	**31.99**	**21.12**
Council Resources Borrowing	51.71	43.72	26.83	20.17	15.57	25.50
Total Funding	**51.71**	**43.72**	**26.83**	**20.17**	**15.57**	**25.50**
Total Financing & Funding	**140.09**	**124.57**	**104.95**	**70.99**	**47.56**	**57.62**

Ratio of Financing Costs to Net Revenue Stream

7. This 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. The ratio is based on the forecast of net revenue expenditure in the medium term financial model. The upper limit for this ratio is currently set at 10% and will remain so for the General Fund to allow for known borrowing decisions in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the proposed capital programme.

8. This indicator is not so relevant for the HRA, especially since the introduction of self-financing, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP, which is the main contributor for

	the increase in 2018/19. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years, which it has opted to do for 2019/20 & 2020/21.
	Table 4 – Ratio of Financing Costs to Net Revenue Stream

9.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Forecast %	2019/20 Forecast %	2020/21 Forecast %	2021/22 Forecast %	2022/23 Forecast %
General Fund	6.28	8.56	10.07	10.08	10.35
HRA	14.78	6.25	6.82	9.96	8.27
Total	**10.52**	**9.74**	**10.21**	**11.27**	**10.89**

Authorised Limit and Operational Boundary for External Debt

10. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

11. The ***Authorised Limit*** sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements, for example a complete debt restructure which requires monies to be borrowed in advance of repayment of existing debt. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Table 5 – Authorised Limit for External Debt

12.

Authorised Limit for External Debt	Actual 31 December 2018 £M	2018/19 Approved £M	2019/20 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M	2022/23 Estimate £M
Borrowing	235	785	850	700	700	880
Other Long-term Liabilities	77	75	75	70	70	65
Total	**311**	**860**	**925**	**770**	**770**	**945**

13. The ***Operational Boundary*** is linked directly to the Council's estimates of the CFR and estimates of other day to day 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 which allows for a full debt restructure if a favourable opportunity arose.

Table 6–Operational Boundary for External Debt

14.

Operational Boundary for External Debt	Actual 31 December 2018 £M	2018/19 Approved £M	2019/20 Estimate £M	2020/21 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M
Borrowing	235	705	800	660	660	715
Other Long-term Liabilities	77	75	75	70	70	65
Total	**311**	**780**	**875**	**730**	**730**	**780**

15. The CFO has delegated authority, within the above limits 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. Council will be notified of any use of this delegated authority.

Other Tables

16. **Table 7–Estimated Movement in Borrowing Requirement**

Total Borrowing Requirement	2018/19 Forecast £M	2019/20 Forecast £M	2020/21 Forecast £M	2021/22 Forecast £M	2022/23 Forecast £M
GF New Borrowing Requirement	**46.57**	**105.17**	**147.96**	**16.68**	**21.58**
HRA New Borrowing Requirement	**19.25**	**27.68**	**17.71**	**3.61**	**6.91**
Total New Borrowing Requirement	**65.82**	**132.85**	**165.67**	**20.29**	**28.49**

Movement on Estimated Long Term Borrowing Requirement - General Fund	2018/19 Forecast £M	2019/20 Forecast £M	2020/21 Forecast £M	2021/22 Forecast £M	2022/23 Forecast £M
General Fund (GF)					
Capital Programme	24.47	16.50	11.63	11.96	18.59
Maturing Debt - long term	5.97	19.12	10.10	1.44	0.00
Maturing Debt - short term	21.22	65.81	132.84	10.00	10.00
Movement in Internal Borrowing	0.00	10.00	0.00	0.00	0.00
Less Repayment of Debt Principal	(5.65)	(6.26)	(6.61)	(6.72)	(7.01)
Plus MRP Holiday	0.55	0.00	0.00	0.00	0.00
GF New Borrowing Requirement	**46.57**	**105.17**	**147.96**	**16.68**	**21.58**

Movement on Estimated Long Term Borrowing Requirement - HRA	2018/19 Forecast £M	2019/20 Forecast £M	2020/21 Forecast £M	2021/22 Forecast £M	2022/23 Forecast £M
HRA					
Capital Programme	19.25	10.33	8.54	3.61	6.91
Maturing Debt - long term	5.50	17.35	9.17	1.31	0.00
Movement in Internal Borrowing	0.00	0.00	0.00	0.00	0.00
Less Repayment of Debt Principal	(5.50)	0.00	0.00	(1.31)	0.00
HRA New Borrowing Requirement	**19.25**	**27.68**	**17.71**	**3.61**	**6.91**

17. **Table 8–Estimated Movement in Loans**

Borrowing	31/03/2019 Forecast £M	31/03/2020 Forecast £M	31/03/2021 Forecast £M	31/03/2022 Forecast £M	31/03/2023 Forecast £M
Long Term					
Balance brought forward	217.81	206.34	169.87	306.30	313.85
Maturing debt	(11.47)	(36.47)	(19.27)	(2.75)	0.00
New Loans raised in year	0.00	0.00	155.70	10.30	18.50
Estimated Long Term Loans	**206.34**	**169.87**	**306.30**	**313.85**	**332.35**
Short Term					
Balance brought forward	33.35	66.17	133.20	10.35	10.35
Maturing debt	(33.35)	(66.17)	(133.20)	(10.35)	(10.35)
New Loans raised in year	66.17	133.20	10.35	10.35	10.35
Estimated Short Term Loans	**66.17**	**133.20**	**10.35**	**10.35**	**10.35**
Total Estimated Loans	**272.51**	**303.07**	**316.65**	**324.20**	**342.70**

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DECISION-MAKER:		CABINET		
SUBJECT:		PLANNING FOR A 'NO-DEAL' BREXIT		
DATE OF DECISION:		19 FEBRUARY 2019		
REPORT OF:		Leader of the Council, Clean Growth and Development		
CONTACT DETAILS				
AUTHOR:	**Name:**	Felicity Ridgway Service Lead for Policy, Partnerships and Strategic Planning	Tel:	023 8083 3310
	E-mail:	felicity.ridgway@southampton.gov.uk		
Director	**Name:**	James Strachan Service Director for Digital and Business Operations	Tel:	023 8083 3436
	E-mail:	james.strachan@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY	
Following the 2016 referendum, the United Kingdom is due to leave the European Union on 29 March 2019 (widely referred to as 'Brexit'). Parliament is continuing to debate the process of leaving the EU, and this report outlines the position at the time of writing. Any subsequent changes to the UK's position regarding Brexit will be outlined verbally at the Cabinet meeting on 19th February 2019.	
As Parliament has not yet passed the Withdrawal Agreement or any alternative into law, the council is continuing to plan for all scenarios, including a 'no-deal Brexit', which is the legal default position. There continue to be a number of unknowns about the process for leaving the EU, contingent on Parliamentary negotiations and discussions, and the council's planning and preparations will continue to adapt and respond as more information becomes available.	
This paper outlines the key short-term risks of a no-deal Brexit on Southampton and the wider region, and sets out mitigations being put in place. This paper also reviews wider and longer-term impacts both locally and nationally.	
RECOMMENDATIONS:	
(i)	To note the risks, mitigations and ongoing planning activity for the UK's exit from the European Union.
REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that Cabinet is aware of the key risks, mitigations and ongoing planning activity relating to Brexit.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	None
DETAIL (Including consultation carried out)	

3.	The UK Withdrawal Agreement was voted on by the House of Commons on Tuesday 15 January 2019, and rejected by a large majority. The Prime Minister returned to the House of Commons with a statement detailing the Government's next steps on 21 January 2019. MPs voted on a range of amendments to the Prime Minister's proposals on 29 January 2019, and following this negotiations with EU and discussions with Parliament are ongoing.
4.	Under the current proposed deal, the UK will leave the EU on 29 March 2019 at 11pm. The transition period will last from 29 March 2019 to 31 December 2020. This may be extended by a further two years if more time is needed to conclude a trade agreement.
5.	However, as Parliament has not yet passed the Withdrawal Agreement or any alternative into law, the council is continuing to plan for all scenarios, including a 'no-deal Brexit'. The following structures are in place to support this planning: • Hampshire and Isle of Wight Local Resilience Forum (LRF) response structures • Fortnightly Leaders' meetings with the Leaders and Chief Executives of Hampshire, Isle of Wight and Portsmouth, hosted by Southampton City Council • Bi-weekly Southampton City Council Steering Group. Council officers are also in regular contact with Becky Shaw, Chief Executive of East Sussex County Council, who has been asked by Ministry of Housing, Communities and Local Government to act as the lead Chief Executive in the South East region for Brexit co-ordination.
6.	On 28 January 2018 James Brokenshire, Secretary of State for Housing, Communities and Local Government announced new funding to support local authorities to "prepare for an orderly exit from the EU and do appropriate contingency planning".
7.	As a unitary authority, Southampton will receive £210K (£105K in 2018/19, and £105K in 2019/20). In the first instance the funding will support the additional pressures on the council relating to planning and preparing for Brexit. We are currently planning for all potential scenarios, and further use of funding will be agreed as part of the planning process and following more clarity about the next steps for exiting the EU from the Government.
8.	In addition to the £210K over two years, the Government has announced £1.5M funding for local authorities affected by Ports. At this stage the Government has not confirmed how this additional funding will be allocated, and therefore we do not know if, or how much of, this funding will be allocated to Southampton.
	Partnership working
9.	The council is liaising closely with neighbouring authorities on our approach and co-ordinating action where necessary, including taking a leading role in the Hampshire and Isle of Wight LRF. Engagement with a number of stakeholders and partners is also ongoing, including with key business leaders and public sector partners. Southampton Connect is also bringing together leaders from the public, private and third sectors across the city to consider a citywide approach to Brexit.

<table>
<tr><td>10.</td><td>The Hampshire and Isle of Wight LRF is coordinating a countywide response to any immediate and emergency impacts relating to the UK’s exit from the EU. The LRF is a statutory partnership that includes emergency services, councils, the MOD, businesses and voluntary organisations. These partners work together to assess risk, develop plans and capabilities, and conduct training and exercising activities to ensure organisations can effectively respond to emergencies together.</td></tr>
<tr><td>11.</td><td>As part of this planning the LRF has established a Strategic Coordinating Group (SCG), responsible for setting the overall response strategy and overseeing the response, linked to a Tactical Coordinating Group (TCG) responsible for implementation. Other groups have been established to support the SCG and TCG, including a media and communications cell and an information management cell producing a common operating picture to support decision-making. Southampton City Council is represented on all groups.</td></tr>
<tr><td>12.</td><td>Following the resolution of any immediate 'response' that might be required, the focus of the LRF will shift to addressing any longer-term issues. This stage is described by the LFR as ‘Recovery Phase’. A Recovery Coordinating Group will be chaired by Southampton City Council and supported by executives from all local authorities and relevant stakeholders.</td></tr>
<tr><td></td><td>Key short-term risks of a no-deal scenario</td></tr>
<tr><td>13.</td><td>The principal potential short-term (90-day) risks of a no-deal Brexit for Southampton City Council have been identified as follows:

Traffic disruption arising from delays at the Port of Portsmouth and extending along the strategic road network
Prolonged (rather than severe) congestion in and around Southampton, affecting staff travel and service delivery
Additional traffic impact of current major highways schemes in Millbrook and Redbridge
New Port Health IT system not being operational, and/or lack of business familiarity with the need for export certificates
Impact on Hampshire Waste Disposal including Recycling Centres if there are delays to exporting materials
Availability of essential supplies (e.g. medicines/vaccines or food) and/or public perception of supply shortage
Simultaneous severe weather or other unforeseen events
Community tensions
</td></tr>
<tr><td>14.</td><td>Although regulatory changes will not take effect until 29 March, if it becomes apparent that a no-deal scenario is inevitable some of these risks could materialise ahead of this date, potentially suddenly. Details of the risks and mitigation steps are set out below.</td></tr>
<tr><td>15.</td><td><table>
<tr><td>Risk</td><td>Traffic disruption arising from delays at the Port of Portsmouth and extending along the strategic road network</td></tr>
<tr><td>Detail</td><td>The Local Resilience Forum (LRF) has identified traffic disruption linked to delays at the Port of Portsmouth as a high risk. This is on the basis that, like the Port of Dover, it is a roll-on roll-off port. HGV exports from Portsmouth could be delayed because of additional checks required if the UK is treated as a ‘third country’ in the case of a no-</td></tr>
</table></td></tr>
</table>

		deal. In combination with potential delays in ferry turnaround at EU ports causing delays to scheduled departures, this could lead to severe congestion. In addition, HGVs may opt to use Portsmouth due to the expected severe disruption at the Port of Dover, further compounding any congestion problems. • It is possible that traffic for the Port of Portsmouth could be seen queuing along the M275, and onto the M27 if significant disruption is experienced, affecting critical routes for the city of Southampton.
	Mitigation	• Portsmouth City Council is working closely with the Local Resilience Forum to identify locations that can be used as holding areas for HGVs waiting to enter the Port. • In line with the Port of Dover's planning assumptions, the LRF is aiming to identify contingency holding areas capable of accommodating up to one-days' worth of port freight transport (currently 500 lorries a day), but uncertainties regarding the scale of additional traffic that may attempt to use Portsmouth, options to accommodate up to 1000 lorries a day are being sought. • It is not currently seen as necessary to identify a stacking site further west around Southampton due to the distance from Portsmouth Port and lower risk to disruption at the Port of Southampton as it does not operate as a roll on-roll off port. • The position of the Department for Transport (which is responsible for ports and strategic roads) is that there is no risk to the Port of Portsmouth and that there will be no closure of motorways, or use of motorways for HGV stacking, outside Kent. • Guidance from the Cabinet Office (which is responsible for UK emergency planning) to LRFs is to consider and mitigate risks at roll-on roll-off ports like Portsmouth, which could experience disruption in the reasonable worst case scenario of the UK leaving the EU without a deal.
16.	**Risk**	Prolonged (rather than severe) congestion in and around Southampton, affecting staff travel and service delivery
	Detail	• Because Brexit is not a one-off event but a permanent change, any traffic impact could be prolonged over a period of time while drivers adapt and any infrastructure upgrades or regulatory changes are introduced. Government guidance suggests that disruption around ports could last for up to six months. • If the M27 experiences prolonged congestion, this could affect staff travel and also service delivery reliant on travel within the city, as traffic will come off the motorway and seek other ways into and around the city. • Prolonged congestion within and around the city is likely to have an impact on air quality in the city. • Because congestion is a relatively frequent phenomenon, staff are accustomed to making alternative arrangements

		and many services will be largely unaffected, while others may experience minor delays or inconvenience. • The greatest impact on council services would be seen if vehicles are not able to enter the City Depot, affecting Port Health, Waste Management and other services. Balfour Beatty, the council's Highways Service Partner, is also based at City Depot and is responsible for gritting the roads in the event of snow or ice. • The impact of disruptions to travel outside the city (potential congestion around Portsmouth) will have a limited impact on most council services, but Children's Services have identified that where travel is required to visit and work with children placed outside the city, reciprocal arrangements may need to be made with placing authorities.
	Mitigation	• Mitigations include encouraging staff to work at home, avoiding the need to travel, adapting traffic signal cycles (although this has limited impact), controlling key road junctions using highway operatives and using local radio and social media to ensure residents and businesses are aware of traffic conditions. • The council will continue to monitor air quality in relation to congestion and take steps to improve air quality in line with the council's Clean Air Strategy and other related activity. • The council is in discussions with neighbouring councils about a mutual scheme for providing a small amount of office space that could be used by staff from other councils who are not able to get to work.
17.	**Risk**	Additional traffic impact of current major highways schemes in Millbrook and Redbridge
	Detail	• Both schemes affect the principal route into the city from the west and are critical for access to the Port and city centre. • The Millbrook roundabout scheme is currently in Phase Three of a planned four phases. The scheme is due to be completed shortly after the end of March 2019. Some traffic delays have occurred as drivers adjust to each new phase of the scheme. There is concern that, if the work is still in progress on 29th March, this could combine with and compound any problems with congestion on the M27. • The Redbridge roundabout scheme is due to start in June 2019.
	Mitigation	• Officers are working closely with Balfour Beatty to explore options for these schemes and minimise any negative impact.
18.	**Risk**	New Port Health IT system not being operational and/or business demand for export certificates

	Detail	• Port Health makes use of a Europe-wide IT system called TRACES. Defra is developing a replacement system for use from 30th March, but at the time of writing it has not been completed and there has been no information provided in terms of training for staff. • Food Exporters from the UK to the EU will require health certificates from 30th March onwards. There may be slight delays if they arrive in port without these certificates, but this is not expected to be a major problem at Southampton Port.
	Mitigation	• If the new IT system is not operational by 30th March, the service can revert to scanning paper certificates to be sent to Customs. This has been done before and processes are in place. This would have an impact of requiring additional Business Support resource. • However, this may cause some delays for importers, who cannot book collection until a consignment has been customs cleared/released. • There is therefore a risk that food may be slightly delayed leaving the port and arriving into the retail market. In a case of significant disruption the service would look to the Government to give instructions on whether to lift the requirement for checks.
19.	**Risk**	Impact on Hampshire Waste Disposal, including Recycling Centres if there are delays to exporting materials
	Detail	• Delays to shipping could mean that that waste operators may not be able to export materials for recycling, or may experience delays in doing so. This could result in recycling banks and waste transfer stations becoming full and potentially closing. • It is anticipated that some additional customer checks and procedures will need to be followed in relation to waste shipments to the EU. • These concerns have been raised with Hampshire County Council and Veolia, the waste disposal contractor. Veolia has a stacking area at Warren Farm near Portsmouth, and although the bulk of its exported material leaves from Dover, they do not expect any difficulties as they have a sufficient network of UK and international routes. Much of the dry mixed recyclables material is sent to UK mills, but the glass is exported.
	Mitigation	• If the transfer stations are unavailable, Veolia has confirmed that the recyclables will not end up being incinerated at the Energy Recovery Facility at Marchwood as they will divert to a networked Refuse Derived Fuel station or to landfill. • Trade waste contractors state that they have now partnered with energy from waste facility operators in the UK in Croydon and Worthing.

20.	**Risk**	Availability of essential supplies (e.g. medicines/vaccines or food) and/or public perception of supply shortage
	Detail	• The availability of key supplies including medicines/vaccines and food has been highlighted in national media as a concern linked to Brexit. It is not believed that general shortages are a significant risk. • However, misinformation and rumours about supplies could drive concerns amongst residents. • There is an existing shortage of some medicines and vaccines in the UK unrelated to Brexit, and therefore a risk that this issue could be exacerbated by port delays which could potentially interrupt the supplies of medicine/vaccines entering the country.
	Mitigation	• The council's communications team will monitor social media and work with partners to manage any potential anxiety by communicating factual messages about essential supplies in the city. • The Secretary of State for Health and Social Care has stated that he is taking action to stockpile medicines at a national level. Current advice to patients is not to stockpile medicines but to ensure that they allow sufficient time in securing their prescriptions. • If there is any shortage of medicines, supply will be prioritised by Public Health England.
21.	**Risk**	Simultaneous severe weather or other unforeseen events
	Detail	• Brexit is scheduled to take place at the tail-end of winter and it is relatively unlikely that major snowfall or storms could compound existing challenges. However, a severe weather event cannot be ruled out – the major snow incident of 2018 took place in March, and flooding can occur at any time of year. • If vehicles become immobilised on the road network this could exacerbate traffic congestion.
	Mitigation	• The council's normal business continuity/severe weather plans would be invoked and the priority would be to respond to the worst weather consequences to ensure a quick return to normal operations.
22.	**Risk**	Community tensions
	Detail	• It is possible that the final outcome of the Parliamentary process could potentially escalate or aggravate community tensions. • Tensions could potentially increase hate crime and anxiety in a range of minority communities. • A total of 707 hate crimes were recorded by police in Southampton in 2017/18; an increase of 25% on the previous year. In the same period, national figures show an increase of 17%, and national mapping indicates a link

	between major events including Brexit and national/international terror incidents and hate crime.
Mitigation	• The council is continuing to work with the police to monitor tensions including any potential rise in hate crime. • There are established procedures for ensuring that civil demonstrations are safe.

	Other impacts
23.	<u>Traffic risks arising from Port of Southampton</u> Given the risks arising from the Port of Portsmouth, officers have met with both Associated British Ports (ABP), owner of the Port of Southampton, and port operator DP World to understand their assessment. Broadly speaking, both companies are of the view that the risk of operational impact posed by a no-deal Brexit is low and manageable.
24.	Southampton is mainly a cruise, automotive and container port and has almost no roll-on roll-off capacity of the type used in Portsmouth. As such ABP expects any additional freight being diverted from Dover to Southampton to be containerised and to operate through the container port, and believes any traffic delays arising from this business would be minimal. HGV drivers must book collection slots and cannot simply turn up to the container port speculatively, so traffic flows are managed in line with demand.
25.	Current advice from the UK central competent food authorities (Defra/FSA) to Port Health have provided some confidence that in the event of a no-deal Brexit, the Government will waive the requirement on food imports from the EU to be checked for an initial period to ensure continuity of supplies and eliminate delays, at least in the short term.
26.	The Port and its wider supply chain is experienced in dealing with disruption, and as such will adapt to respond to traffic pressure arising from outside Southampton. For example, cruise departures can respond to major traffic disruption of the wider road network by varying departure times when needed. In addition, additional land has recently been allocated within the port to the storage of containers to ease the flow of activity through the Port.
27.	<u>Staff and services impact</u> Should there be significant traffic disruption within and around the city, the council will invoke business continuity plans that are already in place. This may include helping staff to work from home where appropriate.
28.	An initial set of Frequently Asked Questions for staff has been published on the council's intranet, and will be updated as more information become available. Information regarding the EU Settlement Scheme has been published on the SCC website, and following an announcement in Parliament on Monday 21st January, the Government has confirmed that there will be no fee for the resettlement scheme.
29.	The council's Registration Service is offering additional help with the new scheme for those applying for Settled Status and Pre-Settled Status, for a small fee of £14. The service can support applicants by scanning and officially verifying passports or biometric residence permits before the online application.
30.	<u>IT systems</u>

	It is not believed that a no-deal Brexit causes any risk to essential council IT systems. However, the council is in the process of contacting its major suppliers to ensure that full risk assessments have been carried out and mitigations are in place for any potential impact.
31.	<u>Elections</u> City Council elections are due on 2nd May and the pre-election period begins on 22nd March (one week before the anticipated exit from the EU). In the event that Parliament votes to extend Article 50, the council may need to arrange and facilitate European elections. There is also a possibility that a general election or referendum may be called, and the council would be again required to support and facilitate any such vote. In the case of multiple electoral events the council may face a challenge to recruit sufficient staff to resource these votes.
	Medium to longer-term impacts
32.	Regardless of short-term outcomes and the process of exiting the EU, the council will need to plan for longer-term policy and service changes, which will need to be delivered in line with national legislation. The council is undertaking work to understand the future requirements and plan for potential longer-term impacts.

33.	Longer-term risks of Brexit in any form for Southampton may include the following negative impacts:
	• The general effects of any potential economic disruption or downturn which could in turn include:
	  o Potential failure of care providers due to economic downturn
	  o An increase in the cost of essential supplies related to a fall in the pound
	  o Potential reduced consumer activity on major businesses such as the Port of Southampton and Hammerson (operators of West Quay shopping centre)
	  o Impact on council finances of lower business rates yield
	• EU nationals electing not to stay in the UK
	• Reduced flow of incoming EU workers
	• Specific risk of shortage of worker in certain sectors e.g. social care workers and LGV/HGV drivers
	• Ongoing community tensions and political instability/uncertainty
	• Shortage of vaccines and medicines, and associated health impacts.

34.	However, it should also be noted that Brexit may bring a range of opportunities including greater commercial opportunities for the Port and local export businesses through new trade deals. Stakeholder engagement has indicated that a number of local businesses are positive about post-Brexit opportunities.
35.	Following confirmation of the agreed process for exiting the EU for the Government, the council will establish a full project to scope and manage these longer-term impacts.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
36.	There are no immediate Capital implications directly relating to this paper. Revenue implications at this stage are related to staff time, with significant resource being required to address planning and preparation issues.

37.	The £210K funding announced by the Government (£105K in 2018/19, and £105K in 2019/20) will in the first instance the funding will support the additional staff resource pressures on the council relating to planning and preparing for Brexit. Additional uses of the agreed funding will be considered as planning progresses.
38.	In the event that the council is required to respond to an emergency scenario relating to the UK's exit from the EU, spending powers will be exercised as prescribed under the Southampton City Council Constitution.
Property/Other	
39.	None
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
40.	N/A
Other Legal Implications:	
41.	Any legal implications relating to the UK's exit from the EU are being considered as part of the council's planning and preparation. The council will respond to any changing legal requirements in line with relevant legislation and the council's Constitution.
RISK MANAGEMENT IMPLICATIONS	
42.	The risks relating to Brexit, including a potential no-deal Brexit, are being monitored and managed in line with the council's Risk Management framework.
POLICY FRAMEWORK IMPLICATIONS	
43.	Any activity to prepare for Brexit and to respond to any emergencies arising will be considered in line with the council's Constitution and Policy Framework.

KEY DECISION?	**No**
WARDS/COMMUNITIES AFFECTED:	All
SUPPORTING DOCUMENTATION	
Appendices	
1.	None

Documents In Members' Rooms

1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	**No**
Equality and Safety Impact assessments will be undertaken to support any decisions relating to preparing for Brexit as required, following agreement and clarification from Parliament on the process for exiting the EU.	
Data Protection Impact Assessment	

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		**No**
Other Background Documents **Other Background documents available for inspection at:**		
Title of Background Paper(s)		**Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)**
1.	N/A	

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