

Public Document Pack

Cabinet

Tuesday, 15th October, 2019
at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber - Civic Centre

This meeting is open to the public

Members

Leader – Councillor Hammond
Adult Care - Councillor Fielker
Aspiration, Children & Lifelong Learning –
Councillor Paffey
Healthier and Safer City – Councillor Shields
Resources - Councillor Barnes-Andrews
Green City & Environment – Councillor Leggett
Homes & Culture - Councillor Kaur
Place and Transport - Councillor Rayment

(QUORUM – 3)

Contacts

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BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

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

The Forward Plan

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

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)

2019	2020
18 June	21 January
16 July	11 February
20 August	18 February (Budget)
17 September	17 March
15 October	21 April
19 November	
17 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.

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.

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.

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 - 4)

Record of the decision making held on 17th September, 2019 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.

ITEMS FOR DECISION BY CABINET

8 COMMERCIAL PROPERTY INVESTMENT □ (Pages 5 - 14)

Report of the Cabinet Member for Resources outlining a policy for investment in commercial property.

9 MEDIUM TERM FINANCIAL STRATEGY TO 2023/24 AND ASSOCIATED MATTERS □ (Pages 15 - 40)

Report of the Cabinet Member for Resources updating the current strategy and seeking approval for consultation on Budget Proposals.

10 UPDATE ON PLANNING FOR BREXIT (Pages 41 - 52)

To consider the report of the Leader of the Council providing an update on ongoing planning for the UK's exit from the European Union.

11 EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM

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

The appendix are considered to be exempt from general publication based on Categories 3 (financial and business affairs) and 7A (obligation of Confidentiality) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not in the public interest to disclose this information as the appendix contains confidential and commercially sensitive information regarding the Council's commercial approach to a confidential bidding and selection process. It would prejudice the Council's ability to operate in a commercial environment and obtain best value in contract negotiations and would prejudice the Council's commercial relationships with third parties if they believed the Council would not honour obligations of confidentiality.

12 THE FUTURE OF ST MARY'S LEISURE CENTRE (Pages 53 - 60)

To consider a report of the Cabinet Member for Homes and Culture seeking approval for the potential future arrangements of St Mary's Leisure Centre.

Monday, 7 October 2019

Director of Legal and Governance

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 17 SEPTEMBER 2019

Present:

Councillor Hammond	-	Leader of the Council, Clean Growth and Development
Councillor Rayment	-	Cabinet Member for Place and Transport
Councillor Fielker	-	Cabinet Member for Adult Care
Councillor Kaur	-	Cabinet Member for Homes and Culture
Councillor Leggett	-	Cabinet Member for Green City and Environment
Councillor Dr Paffey	-	Cabinet Member for Aspiration, Children and Lifelong Learning
Councillor Shields	-	Cabinet Member for Healthier and Safer City
Councillor Barnes-Andrews	-	Cabinet Member for Resources

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

None.

28. REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)

None.

29. EXECUTIVE APPOINTMENTS

None.

30. REDUCING AND PREVENTION DOMESTIC ABUSE IN SOUTHAMPTON: EXECUTIVE RESPONSE TO SCRUTINY INQUIRY RECOMMENDATIONS.

DECISION MADE: (19/20 24208)

On consideration of the report of the Cabinet Member for Healthier and Safer City, Cabinet agreed the following:

- (i) To receive and approve the proposed responses to the recommendations of the Scrutiny Inquiry Panel, to follow as a completed version of Appendix 1.

31. BANKING FACILITIES ARRANGEMENT & SET OFF AGREEMENT

DECISION MADE: (CAB 19/20 25481)

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

- (i) To approve the Council entering into a facilities arrangement to include a set-off agreement with Lloyds Bank plc and delegate authority to the Service Director: Finance and Commercialisation to sign any documents required.

32. ALLOCATIONS POLICY AND GYPSY TRAVELLER SITE ALLOCATION POLICY

DECISION MADE: (CAB 19/20 24060)

On consideration of the report of the Cabinet Member for Homes and Culture, Cabinet agreed the following:

- (i) To consider and approve the Allocations Policy.
- (ii) To consider and approve the Gypsy & Travellers Site Allocation Policy.
- (iii) Subject to recommendations (i) and (ii) being agreed, to delegate authority to the relevant Service Director to, following consultation with the relevant Cabinet Member, make minor technical amendments to the policy in line with any legislative changes or for the purpose of clarification.
- (iv) Subject to recommendations (i) and (ii) being agreed, to delegate authority to the relevant Service Director to, following consultation with the relevant Cabinet Member, update the points systems in either policy to respond to local demand.

33. M27/M3 TRAVEL DEMAND MANAGEMENT PROJECT

DECISION MADE: (CAB 19/20 24372)

On consideration of the report of the Cabinet Member for Place and Transport, Cabinet agreed the following:

- (i) To administer and monitor the use of the Highways England grant funding to support the Council's commitment to reduce emissions and improve air quality within the Southampton area;
- (ii) To accept funding totalling £1.70M awarded by Highways England for 2019/20 and 2020/21;
- (iii) To approve expenditure of the Highways England grant funding for the delivery of Travel Demand Management measures;
- (iv) To add £0.36M to the Place & Transport capital programme to be funded by grant;
- (v) Delegate authority to the Director of Growth to enter into a Funding Agreement with Highways England to deliver the TDM measures set out in the report.

34. SECURITY SERVICES CONTRACT

DECISION MADE: (CAB 19/20 24370)

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

- (i) To approve the award of a Security Services contract to Vertas Group Ltd for a five-year period.

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Agenda Item 8

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	PROPERTY INVESTMENT FUND		
DATE OF DECISION:	15 OCTOBER 2019 20 NOVEMBER 2019		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Steve Harrison	Tel: 023 8083 4153
	E-mail:	Steve.Harrison@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
<p>The report sets out proposals to renew the previously agreed policy for investment in commercial property via a Property Investment Fund. An allocation of up to £200m is proposed for inclusion in the capital programme. Allocations will be made provided the investment and other criteria are met and in accordance with the governance processes outlined and as previously adopted by the authority when a property investment fund was agreed in 2016 and subsequently investments of £29.7M made.</p>	
CABINET	
RECOMMENDATIONS	
(i)	Re-affirms the commitment to a property investment fund as a part of the strategy for addressing future budget shortfall.
(ii)	Agrees the approach as outlined in this report and the investment criteria attached to this report.
(iii)	Agrees to delegate to the Service Director – Strategic Finance and Commercialisation, in consultation with the Cabinet Member for Resources, the ability to amend the property investment strategy prior to making the first additional purchase into the Fund.
(iv)	Notes the addition and spend of £200M. It is proposed to include this sum in the 2019/20 capital programme. Whilst it will be included in full, in practice it is likely there will be a need to spread such an investment beyond the current year. This will be funded by Council resources.
COUNCIL	

RECOMMENDATIONS		
	(i)	The Council renews its commitment to its commercial property investment fund by earmarking up to £200M for new acquisitions within the capital programme.
	(ii)	Approves the addition and spend of £200M. It is proposed to include this sum in the 2019/20 capital programme. Whilst it will be included in full, in practice it is likely there will be a need to spread such an investment beyond the current year. This will be funded by Council resources.
	(iii)	Approves the investment criteria, detailed in appendix 1.
REASONS FOR REPORT RECOMMENDATIONS		
1.	To allow the council to expand its property investment portfolio acquisitions to date. This in turn will make the council more financially resilient at a time of significant demand pressures faced by many front line services and when core funding from Government has been reduced significantly.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2	Not to invest in commercial property for a return above cost would mean additional revenue to help with the budget shortfall the authority faces would not be available. The budget gap for 2020/21 as outlined in the Medium Term Financial Strategy report to Council in February 2019 was £9.5M. The absence of increasing the yield from additional commercial property investment would mean other savings being required which could include budget cuts.	
DETAIL (Including consultation carried out)		
3.	The authority agreed a property investment fund in 2016, and subsequent to that a drawdown of £29.7M was made for investment purposes. The return from this investment is formally reported to council each year as a part of the update on the year-end financial performance. The report this year, made to the July Council meeting, highlighted that to date the authority has purchased three properties. The rate of return on these investment in 2018/19 was 5.95% gross and 2.05% net (after borrowing costs of £1.16M were incurred), which therefore represents a contribution to the revenue account of around £0.61M.	
4.	The investment made by Southampton City Council in commercial property highlights that local authorities are increasingly reliant on income generating activities as a means to address their funding challenges. According to the Medium Term Financial Strategy agreed by Council in February 2019, the authority faces a budget gap of around £9.5M in 2020/21.	
5.	Direct Property Investment is now commonly undertaken by local authorities, acquiring assets both within and without their boundaries. The right commercial properties can be capable of generating income to cover the costs of capital financing and provide a net positive return to the authority. This helps cover budget shortfalls, mitigating budget reductions needed to achieve a balanced budget.	
6.	This paper proposes using the ability to borrow from the Public Works Loan Board (PWL) on long term and fixed interest rates, with borrowing continuing to be available at low rates. Borrowing is subject to regulation and guidance, and a full assessment will take place before borrowing is entered into to ensure	

	compliance with appropriate standards and the criteria for investment set out in this policy.
7.	By adding additional resource into commercial property, the main purpose will be to generate additional income, over and above the costs concerned, and which will be expected to provide a strong income stream over the longer term.
8.	In some cases, there may be a case to consider opportunities within or possibly close to the city boundaries which contribute to wider economic and regeneration objectives.
9	Within the strategy, the potential will be recognised for investment opportunities that arise which, whilst they may not offer the optimum financial return, provide for a number of wider aims to be achieved around investing locally in the economy to assist with regeneration and also the generation of returns from local business rates in Southampton. Local authorities benefit from a share of the growth in their local business rates as a part of the funding system for local authorities. Hence, a flexible approach will be considered but as part of an overarching aim to achieve sound and long term returns for the authority for sustainable funding streams with less reliance on Government funding.
	Criteria
10.	The criteria to be applied for new property acquisitions is provided at Appendix 1 . The criteria on the yield to be achieved outlines that a target level of 2% over and above the financing and other costs will apply, unless there are other significant considerations for acquiring the asset being considered (other criteria are set out at the end of the appendix).
11.	As applied to previous direct property investments, due diligence will be applied to each investment decision, which will include the type of asset, location, ownership, tenure and lease terms, covenant quality, yield and growth in future yield, risks and 'fit' within an overall and balanced property portfolio.
	Property Investment Governance
12.	Transparency with governance and due diligence on property acquisitions forms an essential part of the strategy. Given the demands of the commercial property market, it is also important that officers are able to respond promptly, within the authority granted, to avoid missing any opportunity through delays.
13.	Authority was given under the Property Investment Fund report made to Cabinet in April 2016 for the Head of Capital Assets, following consultation with the Leader of the Council and the Council's Capital Board to agree the detail of the business plan for the property fund and future variations to investment criteria.
14.	In addition, delegated authority was also given to the Head of Capital Assets, again following consultation with the Leader of the Council and the Service Director – Strategic Finance and Commercialisation to approve the acquisition or sale of property or other investments in accordance with the business plan, investment criteria and delivery options. Furthermore, that delegated authority for the Head of Capital Assets extended to take decisions on real property acquisitions and disposals irrespective of value. To add to this process, the Cabinet Member for Resources will also be fully consulted regarding the business plan, investment criteria and all acquisitions and disposals.
15.	The arrangements for taking decisions on disposal and acquisition of assets as set out in the previous report on Property Investment and as summarised above

	will continue to apply to the additional investment allocation proposed by this report.																																				
RESOURCE IMPLICATIONS																																					
<u>Capital/Revenue</u>																																					
16.	Under this proposal, £200M would be added to the capital programme for further investment in a commercial property portfolio.																																				
17.	The council's 2020/21 revenue budget is expected to include a target of £2.8M for income, over and above the costs of financing the investment, as a contribution towards balancing the budget.																																				
18.	Examples are given below on the type of investment the authority is looking for, the costs and expected return. The examples are based on a sample of properties taken from the market in September 2019. The net yield is after allowing for capital financing and other potential costs.																																				
19.	<table border="1"> <thead> <tr> <th></th> <th>Value</th> <th>Rent</th> <th>Gross Yield</th> <th>Net Yield</th> <th>Net Yield</th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>%</th> <th>£M</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Car Park</td> <td>11.40</td> <td>0.52</td> <td>4.54%</td> <td>0.30</td> <td>2.61%</td> </tr> <tr> <td>Industrial 1</td> <td>10.40</td> <td>0.63</td> <td>6.06%</td> <td>0.31</td> <td>2.97%</td> </tr> <tr> <td>Industrial 2</td> <td>22.37</td> <td>1.24</td> <td>5.55%</td> <td>0.61</td> <td>2.74%</td> </tr> <tr> <td>Total</td> <td>44.17</td> <td>2.39</td> <td>5.41%</td> <td>1.22</td> <td>2.76%</td> </tr> </tbody> </table> <p>Based on these examples, an investment of £100M would provide a net return of approx. £2.8M, assuming these properties met all criteria for being considered as appropriate investments. Approval is therefore sought to add £200M in 2019/20 to the capital programme earmarked for investment in commercial property investments. A detailed business plan will be drafted and reviewed by the Council's Capital Board, with the governance on the application of this funding as set out in the report from 2016 and highlighted again in this report.</p>		Value	Rent	Gross Yield	Net Yield	Net Yield		£M	£M	%	£M	%	Car Park	11.40	0.52	4.54%	0.30	2.61%	Industrial 1	10.40	0.63	6.06%	0.31	2.97%	Industrial 2	22.37	1.24	5.55%	0.61	2.74%	Total	44.17	2.39	5.41%	1.22	2.76%
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Total	44.17	2.39	5.41%	1.22	2.76%																																
20	Adding to the capital programme in the current year will allow the best opportunity for early investments to be made and realising the income they bring to assist the council's budget position as soon as opportunities arise and are secured.																																				
<u>Property/Other</u>																																					
21.	Property – as above. Additionally resource will be required within the Capital and Asset Management team to undertake appropriate research into the market for investment opportunities. Furthermore, resource will be needed to undertake conveyancing work, either via the in-house legal team or possibly from external solicitors depending on the timescales required and available in-house resource at that point in time.																																				

22.	The council may either approach the vendor directly or through a third party. If the Council receives an initial introduction from an agent and proceeds with a transaction, it would need to pay a one-off finder's fee which is typically in the region of 0.5% to 1% of the purchase value.
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LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

23.	S.1 Localism Act 2011 permits a Council to do anything an individual may do (the General Power of Competence) subject to there being no other statutory bars or conditions on the use of the power. The Property Investment Strategy will be applied in accordance with conditions imposed on s.1 relating to commercial trading and statutory and non-statutory guidance to local authorities in relation to the acquisition and disposal of property investments. Acquisition of property is generally made under s.120 Local Government Act 1972 but a range of other powers, including s.1 as set out above, also provide additional rights to acquire properties.
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Other Legal Implications:

24.	All relevant property law requirements will be met in relation to the acquisition of land processes on a transparent and fairly negotiated commercial basis together with the requirements of the Financial Services and Markets Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Equalities Act 2010.
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RISK MANAGEMENT IMPLICATIONS

25.	The risks will be managed by a process of due diligence for any acquisition considered. Criteria will be applied as set out in the appendix to this report.
26.	Commercial property investment involves a degree of risk, but whilst this is an inherent part of making investments in can be managed and mitigated. Prices can fluctuate and there are risks around tenant failure. These were recognised as part of the approach with the investment properties held to date and will continue to be recognised by applying checks as part of the due diligence required ahead of each investment (including detailed property and company financial checks etc).
27.	Criteria will be applied such as looking at spreading the risk around different sectors of the market; strength and longevity of tenant covenant and location quality. Possessing a mix of properties will help diversify the property portfolio to reduce exposure to risk. It is intended to re-enter the market as a long term investor, applying a balanced portfolio to manage risks.

POLICY FRAMEWORK IMPLICATIONS

27.	The proposal of adding to the current commercial property investment portfolio is consistent with that previously agreed by the Council.
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KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	

1.	Investment Acquisition Criteria

Documents In Members' Rooms

1.	Property Investment Strategy
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
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Other Background Documents

Other Background documents available for inspection at:

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

Agenda Item 8

Appendix 1

APPENDIX 1

Investment Acquisition Criteria

GROUP 1 - Investment opportunities whose primary purpose is the delivery of a financial return for the Council.

GROUP 1 ACQUISITIONS CRITERIA				
Criteria	Criteria Description	Target	Weighting	Max Score
Financial Return	The yield to be achieved above estimated borrowing costs (interest on loan and Minimum Revenue Provision (MRP))	<ul style="list-style-type: none"> 2% or more per annum when the aim is pure financial return. Above 0.5% if other considerations apply (see group 2 below). 	PASS/FAIL - to be assessed by Finance.	
Sector Allocation /Lot size	The extent to which the property contributes to the achievement of a diversified portfolio.	<ul style="list-style-type: none"> Portfolio to be spread across a range of commercial sectors including offices, industrial, retail, leisure and car parks No more than 50% of the portfolio to be retail. Value of property to be no more than 20% of the value of the portfolio. 	3	12
Building Condition	Quality of building compared to Grade A industry standard	<ul style="list-style-type: none"> Modern or substantially refurbished in the last 10 years such that the building meets existing and expected future occupier requirements. Structurally sound and in good repair. Others considered by exception depending on lease and location. 	3	12
Location	Quality of location with regard to property type.	<ul style="list-style-type: none"> Good location for type in Southampton and other major cities/affluent market towns in UK. 	3	12

Tenant Covenant	Ability of tenant/s to pay the rent and observe other lease covenants for the duration of the lease. Credit rating of tenant.	<ul style="list-style-type: none"> • Demonstration of successful trading history. • Minimum of satisfactory financial credit rating risk score. • Good prospect of lease performance. 	3	12
Lease term and structure	Length of secure income. Lease terms such as tenant repairing obligations, rent review mechanisms.	<ul style="list-style-type: none"> • Single let on full repairing and insuring (FRI) lease with regular upward only reviews. • Multi-let properties will be considered except those requiring intensive management. • No unusual or adverse lease provisions. • Preferably 10+ year's unexpired term. If less than 10 years good prospect of tenant renewing (or re-letting) but not less than 5 years. 	3	12
Occupational demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate.	<ul style="list-style-type: none"> • Good prospect of securing an alternative occupier if tenant were to vacate. 	3	12
Rental Growth Prospects	Opportunity / likelihood to increase passing rent.	<ul style="list-style-type: none"> • Property should not be over-rented. • Sector with potential for growth (or not contracting). • No existing/potential overpowering competition. 	3	12
Tenure	Type of tenure - Freehold/Long leasehold	<ul style="list-style-type: none"> • Freehold • Consideration will be given to long leasehold interests (depending on ground rent and any other obligations) 	2	8
Exit Strategy (Liquidity of asset)	The marketability of the property	<ul style="list-style-type: none"> • Property is attractive to a number of investors and could be sold in the market in a reasonable time without adversely affecting the price. 	2	8

Environmental	The extent to which the property provides a positive contribution to environmental objectives	<ul style="list-style-type: none"> Property has good energy efficiency and sustainability credentials. If current energy performance is poor then there is the ability to invest to improve rating subject to financial viability. Properties or operations with high environmental impacts will be avoided unless there is an exceptional case. 	2	8
Alternative Use /Underlying Value	The value of the land and the opportunity for change of use if required.	<ul style="list-style-type: none"> There is a reasonable prospect of securing planning for alternative uses. No listed buildings. No third party interests constraining potential redevelopment. 	1	4
			Total	112

A property will be expected to score at least 70% (78 out of 112)

Each Criteria to be scored out of 1-4 as follows:

- 4 Good
- 3 Satisfactory
- 2 Marginal
- 1 Poor

GROUP 2 - Regeneration investment opportunities that support the delivery of significant city/district regeneration.

GROUP 2 ACQUISITIONS CRITERIA	
Criteria	Target
Minimum Yield Required	0.5% after estimated borrowing costs (interest on loan and Minimum Revenue Provision). In very exceptional circumstances there may be a lower return however this will have to be offset by other regeneration investment assets in the Fund.
Property Type	All property types will be considered.
Location	Southampton
Tenure	Freehold /long leasehold (where Council owns freehold)
Council Objectives	The asset must support Council objectives and regeneration initiatives.

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Agenda Item 9

DECISION-MAKER:	CABINET		
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY UPDATE 2019/20 TO 2022/23		
DATE OF DECISION:	15 OCTOBER 2019		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Keith Petty Steve Harrison	Tel: 023 8083 3429 023 8083 4351
	E-mail:	Keith.Petty@southampton.gov.uk Steve.Harrison@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

This report provides an update on the approved Medium Term Financial Strategy (MTFS) for the period to 2022/23. It provides for significant investment in priority services, does not propose any service reductions and provides support for social care pressures. Overall the strategy reduces the forecast 3 year future financial challenges from nearly £33m to £12m in total. Given the uncertainty of national finances and allocations, the updated strategy only goes up to 2022/23, but the authority continues to plan around a timeline of up to 2025.

The report identifies new pressures and investment needs on the General Fund that have been identified and how it is currently proposed to fund those additional pressures, whilst achieving a balanced budget for 2020/21 and reducing future shortfalls.

The report outlines the next set of the Executive's draft budget proposals for 2020/21 through to 2022/23 to address the budget gap for those years. These will be used as the basis for a conversation and consultation with a range of stakeholders over the coming months.

Analysis on this feedback will be considered by the Cabinet before they finalise their budget proposals that will be recommended to Council on 26th February 2020 when it will set the General Fund and HRA budgets.

The Government has published its Spending Round 2019 and will announce its latest Budget assumptions in the Autumn Statement later in 2019 as well as its provisional finance settlement prior to Christmas. The implications of any announcements made on the Council's position will therefore need to be included in the update to Council in February 2020.

Table 1 identifies the current summary position for the General Fund for the period of the Medium Term Financial Strategy (MTFS), after allowing for the details and proposals included within this report. The table updates the position for recent Government funding announcements and known financial pressures faced by council services.

Table 1 – General Fund Summary

	2020/21 £M	2021/22 £M	2022/23 £M
Budget Gap - February 2019	9.5	11.8	11.6
Pressures and Mitigations	6.2	6.2	8.5
Developments/Investment	3.8	4.3	5.9
Savings Proposals	-7.8	-10.3	-11.4
Reduced business rate growth	4.5	4.5	4.5
Spending Round 2019/ Future grant assumptions	-9.9	-7.0	-7.0
Use of reserves	-6.3	-4.8	-4.8
Amended Budget Gap – October 2019	0.0	4.7	7.3

The draft budget is balanced in 2020/21 under these proposals, and there is a reduced budget shortfall in the two subsequent years. Work will continue to reduce the future shortfall of £4.7M and £7.3M identified in the table.

Table 2 below shows the additional capital investment that has been identified.

Table 2 – Capital Investment Requirements

	2020/21 £M	2021/22 £M	2022/23 £M	Total £M
Gross Capital Investment	52.5	103.7	87.2	243.4

Total new capital investment of £243.4M (gross) is expected over the three years of these proposals.

Note this total excludes the £200M proposal for a renewed commitment to the commercial property investment fund which is the subject of a separate report to Cabinet and Council.

RECOMMENDATIONS:

Cabinet are recommended to:

i)	Note the high level forecast for the General Fund for 2019/20 onwards and subsequent rebasing of budgets, ensuring budgets are on a sound and robust footing.
ii)	Note the pressures which have been included in the forecast which are set out in paragraphs 17 and 18.
iii)	Note the Executive’s initial investment and savings proposals put forward for conversation and consultation in Appendices 3 and 4. Savings amount to a cumulative £29.5M by 2022/23, with a significant contribution from income generating initiatives. New investment under these proposals is estimated at around £14.0M in the revenue budget.
iv)	Note that the Executive’s budget proposals for consultation are based on the assumption that they will recommend a Council Tax increase of 1.99% to Full Council as per paragraph 21.

v)	To note the implications for the Capital Programme and to approve the additions to the capital programme as detailed in paragraph 26 to 28 and give approval to spend.
vi)	Note that the Executive's initial savings set out in Appendices 3, with a clear emphasis on ways to generate income as a key part of ensuring a balanced budget.
vii)	Note the consultation on the Executive's draft budget proposals will commence on 16 th October 2019 and note the consultation proposals and methodology set out in paragraph 35.
viii)	Delegate authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources, to do anything necessary to give effect to the proposals contained in this report.

REASONS FOR REPORT RECOMMENDATIONS

1.	This report is submitted for consideration as part of good practice establishing draft budget proposals in advance of the financial year.
2.	The production of a financial forecast and an outline timetable are a requirement of the Council's Budget and Policy Framework Procedure Rules.
3.	In addition, it is good practice for the Council to consult with a range of stakeholders on its proposals for developing the budget. The recommendations in this report have therefore been put forward to allow this process to formally begin.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	The proposals presented in this report represent the Executive's draft budget for 2020/21 through to 2022/23, which is being published for consultation. There are a number of variables and alternative options that could be implemented as part of the budget. The budget will be set by Full Council in February 2020.
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DETAIL (Including consultation carried out)

	<u>BACKGROUND</u>
5.	Council approved a 4 year MTF5 in February 2019, 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.
6.	<p>There are 6 key aims of the Strategy:</p> <ul style="list-style-type: none"> • To provide financial parameters within which budget and service planning should take place; • To ensure the Council sets a balanced budget; • To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability; • To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area; • To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priority whilst gradually reducing the Council's reliance on Central Government funding; and

	<ul style="list-style-type: none"> To ensure that the Council's long term financial health and viability remain sound. 										
7.	Table 3 below shows the MTFs position as reported in February 2019.										
8.	<p><u>Table 3 – Funding Gap 2019/20 to 2022/23</u></p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Remaining Savings Requirement</td> <td>9.5</td> <td>11.8</td> <td>11.6</td> <td>32.9</td> </tr> </tbody> </table>		2020/21 £M	2021/22 £M	2022/23 £M	Total £M	Remaining Savings Requirement	9.5	11.8	11.6	32.9
	2020/21 £M	2021/22 £M	2022/23 £M	Total £M							
Remaining Savings Requirement	9.5	11.8	11.6	32.9							
<u>2019/20 POSITION</u>											
9.	<p>The General Fund Revenue forecast position, at the end of August, is an underspend of some £0.08M. The latest initial and provisional forecast for period 6 is that we are still operating within budget parameters.</p> <p>As part of good financial management, a review of the budgets has been undertaken to reflect activity in services. This rebasing is shown at Appendix 1. Any pressures that are expected to continue into 2020/21 and the future included have been accounted for in these proposals and are set out in paragraphs 17 to 18 below. A full rebasing detail will be presented to Cabinet for 2019/20 when the Period 6 budget forecast is presented to the next cabinet meeting.</p>										
<u>COMPREHENSIVE SPENDING REVIEW AND FAIR FUNDING REVIEW</u>											
10.	2019/20 marked the final year of the Comprehensive Spending Review (CSR) and the final year of the 4 year settlement that the council agreed with central government.										
11.	<p>2020/21 was intended to have featured proposals by Government for a fair funding review, a business rates review and a spending review outlining the allocation of funding to local government (at a national level) for a number of years ahead. A social care green paper was also due to be published. This should have provided more information on future funding levels from the Government.</p> <p>However, the Government has delayed its work and consultation on these policy changes. This means that any anticipated impact connected with the changes to the funding system, including the business rate reset (where previous growth from business rates is removed from the settlement figures), is postponed by a year at least. For the purposes of financial planning, we have continued to assume that we are no better or worse off in funding terms from any policy changes resulting from these reviews until more detail is provided.</p>										
12.	Whilst none of the above policies have been delivered, there was an announcement of a single year Spending Round (SR19), covering 2020/21 in early September. Attached at Appendix 2 is a summary of its impact compared to the councils existing MTFs assumptions. SR19 clarified some of the assumptions we had already included in the MTFs and introduced some new funding the MTFs had not assumed (in particular around extra social care funding), thereby improving the financial position compared with past assumptions.										

	<p>The appendix shows that extra resources will be available and are expected to total £9.9m in 2020/21. The actual spending round is subject to it being incorporated within the Chancellor's Autumn statement later in the year. At this stage there is no reason to believe that these numbers will change significantly and therefore are appropriate for budget planning purposes.</p> <p>The question remains that given it is only funding for one year, then what will happen from 2021/22 onwards? It is unreasonable to assume that we would face a cliff edge of a drop in funding of £9.9m given that this is being injected to support children's and adult social care, where it is clear on-going demand is increasing. For planning purposes, I am assuming that whilst there may be a drop, there will still be a substantial sum available. For the purpose of our financial plan I have assumed £7m per annum is received beyond 2020/21.</p>
13.	<p>The actual allocations of additional social care funding councils from the SR is subject to a formal consultation which concludes on 31 October 2019.</p> <p>The implications of any announcements subsequently made on the Council's position will therefore need to be included in the update to Council in February 2020 on the budget.</p>
14.	<p><u>Collection Fund</u></p> <p>The collection fund for council tax and business rates currently shows a broadly balanced position for 2019/20. This will be continued to be monitored.</p> <p><u>Business Rates</u></p> <p>A review of business rates estimated receipts for 2020/21 has identified a shortfall compared with assumptions in the MTFS. Much of this arises from an optimistic assumption around the delivery of a major development during 2019/20. In looking at the 2020/21 forecast compared with the MTFS it is estimated to be £4.5M short, analysed as follows:</p> <ul style="list-style-type: none"> • Major development profiled for delivery too soon – full year effect £2.5M • A general development overestimation - £0.9M • Increase in business rates reliefs being experienced - £0.9M • Reduction in S31 business rates compensation grants - £0.2M <p>Southampton applied to the Government and was successful in becoming one of a limited number of 75% Business Rates Retention pilots for 2019/20, working in partnership alongside Portsmouth City Council and the Isle of Wight Council. This will not continue in 2020/21, as the Government is not running any further pilots. The council's budget strategy assumes a benefit of £2.0m will be realised in 2019/20 from the pilot, via additional business rates. This sum has already been factored into the 2020/21 budget (the 1 year delay allows confirmation of the actual sum realised in year). The benefit, when compared with the normal 50% retention of business rate growth, is regularly monitored during the year.</p> <p>The growth assumed is cautious, with developments around West Quay Phase 3, around Bargate and Toysrus not banked in forecasts at this stage.</p>

15.	Subject to discussions with partners there may be a potential one-off sum of up to £3M available to Southampton City Council from being a part of this business rate pilot arrangement, in addition to the benefit of £2.0M already factored into the budget. However, this will be subject to actual business rate proceeds and agreement with partner authorities regarding allocations and hence is not factored into budget estimates.																
SAVINGS																	
16.	<p>To deliver savings that go beyond that of general reductions and potential salami slicing, a review was undertaken this year to look at more strategic interventions that would either generate income or reduce costs.</p> <p>Following these reviews a series of sessions were held where Portfolio holders and Service directors were challenged around the cost base of services and the opportunities to reduce them.</p> <p>The final schedule of savings proposed and income generation is attached at Appendix 3. The total proposed are set out in table 4 below:</p> <p>Table 4 :Savings</p> <table border="1" data-bbox="311 943 1193 1120"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Reductions in budgets</td> <td>3.8</td> <td>6.1</td> <td>7.2</td> </tr> <tr> <td>Income generation</td> <td>4.0</td> <td>4.2</td> <td>4.2</td> </tr> <tr> <td>Total Savings</td> <td>7.8</td> <td>10.3</td> <td>11.4</td> </tr> </tbody> </table>		2020/21 £M	2021/22 £M	2022/23 £M	Reductions in budgets	3.8	6.1	7.2	Income generation	4.0	4.2	4.2	Total Savings	7.8	10.3	11.4
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REBASING OF BUDGETS																	
17.	<p>Budget monitoring has identified, for a variety of reasons that budgets have not been set at an appropriate level for the pressure faced, for example social care demand. The end result of this is that every budget monitoring report seeks to repeat some of the same variations and explanations.</p> <p>The overall impact on the rebasing in 2019/20 is cost neutral. The schedule of changes is attached at Appendix 1 and Appendix 1A for Adults Social Care. This shows at period 5 (end of August) that the council is living within its resources.</p>																
18.	<p>The effect of the rebasing of budgets in 2020/21 shows that there is extra cost pressures to be taken into account as follows:</p> <ul style="list-style-type: none"> • Increased demand for Children’s social care • Increased Demand for Adults social care • Increased demand in other areas such as home to school transport • Unachieved savings targets • The above is offset by additional income <p>This totals £4.2M net additional cost pressure. Additionally, provision has been made for rising costs and numbers of care packages identified through budget monitoring work which amounts to approximately £2M from 2020/21 onwards.</p>																
INVESTMENT IN SERVICES																	

19.

The council needs a clear direction of travel for the delivery of key projects to meet priority areas of focus. These projects have been split over the outcomes for the council, as shown in the following table. More details are shown in **appendix 4.**

Table 5: Investment Proposals

Description	2020/21	2021/22	2022/23	Total
	Revenue	Revenue	Revenue	Revenue
	£000s	£000s	£000s	£000s
A city of culture by 2025	319	27	192	539
Delivery of Bitterne Community Hub Project	300	0	50	350
Global partnership Programme	20	20	20	60
Green City Charter	207	226	226	659
People and place planning through the Local plan	327	112	0	439
Connected Southampton 2040 (Local Transport Plan 4)	212	766	766	1,744
Connected City	0	100	0	100
Future of Work (inquiry response)	140	125	55	320
Itchen bridge payment (contactless)	248	286	286	820
Itchen flood defences	46	50	50	146
implementation of better client handling (new case management system)	104	0	0	104
Improving surplus generated by our services to reinvest in council services	185	191	191	567
Digital Customer Experience Improvement	98	0	0	98
Smart Ways Of Working	135	39	39	213
Organisational Development	200	200	200	600
Reducing overheads and streamlining our processes to improve outcomes and services	273	45	45	363
Safer Communities	314	216	162	692
Children/Young People get a good start in life	500	500	500	1,500
Sub total	3,626	2,903	2,782	9,311
Capital Financing Budget	140	1350	3162	4,652
Investment Total	3,766	4,253	5,944	13,963

*Note figures have rounded in this table, which may produce small difference to the totals

The table indicates additional investment across a range of proposals in the next three years, totalling £3.3M in 2020/21 and totalling around £14.0M over the three years.

	CLOSING THE GAP																																											
20.	<p>The council has significant unallocated reserves that have been held for a variety of reasons – such as taxation, MTFS reserve. As part of streamlining budget processes and resources as forecast at the end of 2019/20, the position as rationalised is estimated to be as follows:</p> <ul style="list-style-type: none"> • Minimum Working balance - £10M • Insurance Fund - £3.0M • Organisational Design (OD) Reserve - £7.1M • Uncommitted funds to support MTFS delivery are estimated at approximately £32M. 																																											
21.	<p><u>Council Tax Increase</u></p> <p>The existing assumption is for a 2% increase in tax. Government is consulting on a further 2% Adults Social Care precept in addition to this general increase. The proposals in this report assume a total of 2% overall only.</p>																																											
	SUMMARY GENERAL FUND POSITION																																											
22.	Table 6 summaries the details set out in the above paragraphs.																																											
23.	<p><u>Table 6 –</u> <u>MTFS</u> <u>Summary</u> <u>Position</u></p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Gap - February 2019</td> <td>9.5</td> <td>11.8</td> <td>11.6</td> </tr> <tr> <td>Pressures and Mitigations</td> <td>6.2</td> <td>6.2</td> <td>8.5</td> </tr> <tr> <td>Developments/Investment</td> <td>3.8</td> <td>4.3</td> <td>5.9</td> </tr> <tr> <td>Savings Proposals</td> <td>-7.8</td> <td>-10.3</td> <td>-11.4</td> </tr> <tr> <td>Funding Reduction</td> <td>4.5</td> <td>4.5</td> <td>4.5</td> </tr> <tr> <td>Spending Round 2019 and grant assumptions</td> <td>-9.9</td> <td>-7.0</td> <td>-7.0</td> </tr> <tr> <td>Assumptions on grant funding</td> <td></td> <td>-7.0</td> <td>-7.0</td> </tr> <tr> <td>Use of reserves</td> <td>-6.3</td> <td>-4.8</td> <td>-4.8</td> </tr> <tr> <td>Amended Budget Gap – October 2019</td> <td>0.0</td> <td>4.7</td> <td>7.3</td> </tr> </tbody> </table>		2020/21 £M	2021/22 £M	2022/23 £M	Budget Gap - February 2019	9.5	11.8	11.6	Pressures and Mitigations	6.2	6.2	8.5	Developments/Investment	3.8	4.3	5.9	Savings Proposals	-7.8	-10.3	-11.4	Funding Reduction	4.5	4.5	4.5	Spending Round 2019 and grant assumptions	-9.9	-7.0	-7.0	Assumptions on grant funding		-7.0	-7.0	Use of reserves	-6.3	-4.8	-4.8	Amended Budget Gap – October 2019	0.0	4.7	7.3			
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24.	<p><u>2021/22 Onwards Budget Gap</u></p> <p>Table 6 shows there is a budget gap in 2021/22 of £4.7M and £7.3M the following year.</p> <p>This can be viewed to be a sustainable plan. The current budget identified a shortfall over the three years of about £33m. The proposals in this budget paper reduce this to £12.0M in total – close to a third of the initial financial challenge.</p>																																											
	PUBLIC HEALTH																																											
25.	We await confirmation of the grant for public health in 2020/21. This grant is expected to continue to be ring-fenced, and therefore only allocated to public health activities.																																											

CAPITAL INVESTMENT																																																																															
26.	New capital investment will play a significant role in enhancing local facilities and providing better connectivity for residents and businesses.																																																																														
27.	Table 7 below details the new additions to the capital programme that have been identified and the anticipated sources of financing are in Table 8. It should be noted that elements of the funding from outside the authority are in some cases yet to be confirmed, the most significant of which will be funds for Transforming Cities Fund and which would support the Connected Southampton initiative.																																																																														
28.	<p>Table 7 – New Capital Investments</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>City of culture</td> <td>0.2</td> <td>0.3</td> <td></td> <td>0.5</td> </tr> <tr> <td>Bitterne Hub</td> <td></td> <td>27.3</td> <td></td> <td>27.3</td> </tr> <tr> <td>Green City Charter</td> <td>1.0</td> <td></td> <td>20.0</td> <td>21.0</td> </tr> <tr> <td>ToysRus site</td> <td></td> <td>26.7</td> <td></td> <td>26.7</td> </tr> <tr> <td>Connected Southampton</td> <td>42.0</td> <td>37.0</td> <td>50.0</td> <td>129.0</td> </tr> <tr> <td>Itchen Bridge</td> <td>0.1</td> <td></td> <td></td> <td>0.1</td> </tr> <tr> <td>Children Res Centre</td> <td>0.8</td> <td></td> <td></td> <td>0.8</td> </tr> <tr> <td>Highways capital prog</td> <td>6.0</td> <td>7.0</td> <td>8.0</td> <td>21.0</td> </tr> <tr> <td>Digital customer experience</td> <td>0.4</td> <td></td> <td></td> <td>0.4</td> </tr> <tr> <td>Smarter ways of working</td> <td>1.6</td> <td>1.0</td> <td>1.0</td> <td>3.6</td> </tr> <tr> <td>Outdoor Leisure</td> <td>0.2</td> <td>4.4</td> <td>8.2</td> <td>12.8</td> </tr> <tr> <td>Streamlining Processes</td> <td>0.2</td> <td></td> <td></td> <td>0.2</td> </tr> <tr> <td>Total New Capital Investment</td> <td>52.5</td> <td>103.7</td> <td>87.2</td> <td>243.4</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>					2020/21 £M	2021/22 £M	2022/23 £M	Total £M	City of culture	0.2	0.3		0.5	Bitterne Hub		27.3		27.3	Green City Charter	1.0		20.0	21.0	ToysRus site		26.7		26.7	Connected Southampton	42.0	37.0	50.0	129.0	Itchen Bridge	0.1			0.1	Children Res Centre	0.8			0.8	Highways capital prog	6.0	7.0	8.0	21.0	Digital customer experience	0.4			0.4	Smarter ways of working	1.6	1.0	1.0	3.6	Outdoor Leisure	0.2	4.4	8.2	12.8	Streamlining Processes	0.2			0.2	Total New Capital Investment	52.5	103.7	87.2	243.4					
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Itchen Bridge	0.1			0.1																																																																											
Children Res Centre	0.8			0.8																																																																											
Highways capital prog	6.0	7.0	8.0	21.0																																																																											
Digital customer experience	0.4			0.4																																																																											
Smarter ways of working	1.6	1.0	1.0	3.6																																																																											
Outdoor Leisure	0.2	4.4	8.2	12.8																																																																											
Streamlining Processes	0.2			0.2																																																																											
Total New Capital Investment	52.5	103.7	87.2	243.4																																																																											
	<p>Table 8 – Capital Funding</p> <table border="1"> <thead> <tr> <th>Financed by:</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Council Resources</td> <td>8.9</td> <td>53.0</td> <td>23.2</td> <td>85.1</td> </tr> <tr> <td>Third Party Contributions</td> <td>1.1</td> <td>9.6</td> <td>12.8</td> <td>23.5</td> </tr> <tr> <td>Capital Receipts</td> <td>-</td> <td>3.5</td> <td>-</td> <td>3.5</td> </tr> <tr> <td>Government Grant</td> <td>42.4</td> <td>37.6</td> <td>51.2</td> <td>131.2</td> </tr> <tr> <td>Other</td> <td>0.1</td> <td>-</td> <td>-</td> <td>0.1</td> </tr> <tr> <td>Total Financing</td> <td>52.5</td> <td>103.7</td> <td>87.2</td> <td>243.4</td> </tr> </tbody> </table>				Financed by:	2020/21 £M	2021/22 £M	2022/23 £M	Total £M	Council Resources	8.9	53.0	23.2	85.1	Third Party Contributions	1.1	9.6	12.8	23.5	Capital Receipts	-	3.5	-	3.5	Government Grant	42.4	37.6	51.2	131.2	Other	0.1	-	-	0.1	Total Financing	52.5	103.7	87.2	243.4																																								
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HOUSING REVENUE ACCOUNT																																																																															
29.	Since the current MTFs position was approved in February 2019 there is need to review the HRA. This will be presented at a future cabinet meeting.																																																																														
RESERVES AND BALANCES																																																																															
30.	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.																																																																														

31.	<p>The S151 officer has a responsibility to advise on the adequacy of reserves and balances. As part of streamlining budget processes and resources, as forecast at the end of 2019/20, the position as rationalised is estimated to be as follows:</p> <ul style="list-style-type: none"> • Minimum Working balance - £10M • Insurance Fund - £3.0M • Organisational Design (OD) Reserve - £7.1M <p>Uncommitted funds to support MTFS delivery are estimated at approximately £32M. It is currently estimated that available corporate reserves will stand at around £14.5M to £15M of uncommitted funds by the end of the three years.</p>
32.	<p>The financial risks facing the Council in the medium term are assessed within the MTFS, which is part of the budget report considered in February. 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 can affect the financial stability of the council. The risk also will need to cope with any demand pressures, reductions in income, non-delivery of savings targets etc.</p>
	<p><u>General Fund Balance</u></p>
33.	<p>The General Fund Balance is forecast to be £10M at the end of 2019/20 providing the current year financial forecast remains as expected. The required level of balance is determined by assessing the level of risk the Council faces and this balance is regarded as adequate. This sum will still remain untouched as a result of this budget strategy.</p>
34.	<p>Obviously when the Council is facing significant financial challenges, with increasing demand levels the level of risk is heightened. The assessed minimum balance will be reviewed again for the MTFS update in February 2020, taking into consideration both risk and affordability.</p>
	<p>CONSULTATION</p>
35.	<p>Where new proposals have been put forward these have been subject to consultation with the Council Management Team (CMT) and relevant Cabinet Members.</p> <p>The Executive will undertake an extensive consultation process on their initial draft budget proposals following the production of this report. The Leader and the Cabinet are keen to listen to any new ideas on how to reduce costs, to receive feedback on the proposals and on the potential impact of the proposals to help to finalise the Executive's budget to be recommended to Full Council in February 2020.</p> <p>Southampton City Council is facing a challenging financial position, at a time when demand for certain services such as adult and children's social care continues to increase.</p> <p>Therefore the aim of this consultation is to:</p> <ol style="list-style-type: none"> a. Communicate clearly and make residents aware of the financial pressures the council is facing. b. Ensure residents understand what is being proposed in the draft 2020/21 budget and onwards to 2022/23 via this paper and are aware of what this will mean for them.

- c. Enable any resident, business or stakeholder who wishes to comment on the proposals the opportunity to do so, allowing them to raise any impacts the proposals may have.
- d. Ensure that the results are analysed in a meaningful, timely fashion, so that feedback is taken into account when final decisions are made.
- e. Provide feedback on the results to the consultation and how these results have influenced the final decision.

For the public consultation on the draft 2020/21 budget a consultation process will run from 16th October 2019 to 8th January 2020 where responses can be made. The overarching consultation will be based around an online questionnaire and paper copies will also be made available. As a part of the main budget consultation affected service user consultation will take place on a service by service basis led by respective service managers and will be conducted in a way that is proportionate and appropriate to the budget proposal and service.

Equality and Safety Impact Assessments

The Public Sector Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.

While the 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.

Draft individual Equality and Safety Impact Assessments (ESIAs) have been completed by the Council's Management Team for those proposals contained in **Appendix 3** 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 draft individual ESIAs are available in Members' Rooms and will be published alongside the Budget consultation.

The individual ESIAs have been analysed to consider the cumulative impacts the draft budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the draft 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 Impact Assessment is available in Members' Rooms and will be published alongside the Budget consultation.

RESOURCE IMPLICATIONS	
Capital/Revenue Implications	
36.	The capital and revenue implications are fully detailed within the report.
37.	The proposals would lead to an overall investment in human resources within the council.
Property/Other	
38.	None, other than those detailed in the report.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report	
39.	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.
40.	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.
41.	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.
42.	The legal significance of the Annual Budget derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2017 could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
43.	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.
44.	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.
45.	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.
46.	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.
Other Legal Implications:	
47.	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.
RISK MANAGEMENT IMPLICATIONS	
Local Implications	
48.	<u>The United Kingdom's Exit from the European Union</u> There remains a significant risk from the economic climate due to Brexit and any potential impact on funding or on demand for council services. These are covered both by the MTFS reserve and by the contingencies. Government has allocated funds (of approx. £0.7M to Southampton) to promote councils being prepared for the UK's exit from the EU. Additionally, any further risks arising from Brexit will need to be considered, with the implications reflected in the update of the MTFS to Council in February 2020.
49.	Any further impact from risk will be reviewed as part of the update of the MTFS to be reported to be approved by Council in February 2020.
POLICY FRAMEWORK IMPLICATIONS	
50.	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 2020/21 must be proposed by the Cabinet for consideration by the Full Council under the Constitution.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	

1.	Budget Rebasing (including Adults Social care at 1a
2.	Spending Round 2019
3.	Savings Proposals
4.	Investment

Documents In Members' Rooms

1.	Individual ESIA's
2.	Cumulative ESIA

Equality Impact Assessment

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

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	

General fund budget rebasing details

Service	£000's	Notes
Children's	137	Capital Asset Management - historic staff recharge income Appendix 1
Children's	610	Home to school transport- Demand pressures on service has built up from increasing SEND needs over the last few years and the service has also widened its age group from new legislation but the budget has remained static.
Children's	160	Educational Psychologists - Income target from OLA's cannot be achieved as statutory work being undertaken for the service is not releasing sufficient time to perform fee related work
Children's	170	Education devolved capital - Sugar Tax saving cannot be achieved as the grant is ring-fenced for schools.
Children's	540	Jigsaw service - demand from significant increases in SEND pupils year on year is far in excess of available budget.
Children's	4,727	Children's Services cost pressures balance
OD Strategy	53	HR - Trade union staff centralisation of funds, budget to reflect existing cost of service.
Finance	600	Revs and Bens - saving target, reduction in cost of collecting council tax and business rates and review of bad debt provisions. Previously removed in 18/19 but not future years.
TUSS	300	Crematorium & Cemetery & registration service - Business Rates pressure
TUSS		Crematorium ongoing loss of income
TUSS		Registration Services - Nationality checking and preliminary notices of marriage income shortfall
TUSS	200	Element of HMO Income budget not achievable
TUSS	240	TUSS dry mixed recyclables and commercial waste disposal contract
Transformation	1,480	Digital transformation saving not achieved
Adults	2,043	Adult Social Care cost pressures
	758	Housing benefit payments
	-2,117	One off savings within 2019/20
	-9,981	Capital Asset Management saving
Month 5 position	-80	
Adults Rebasing	-2,000	See Adult Social Care rebase
	2,117	One off saving 2019/20
	-80	Month 5 underspend
Balance requiring rebasing	38	
Growth	34	Cultural Service - rental budget reduced before saving project has been implemented and unlikely to start this year
Growth	150	Museum Collection into Sea City - Savings in the budget before project has been implemented and will not start this year and next.
Growth	500	Investment property - Income target was increased last year by £740k to reflect early achievement of the original £500k which was deferred until 20/21. The total increased target of £1,240k is not achievable next year.
Growth	-800	Recharge budget for Highways capital financing costs not required as will be met centrally
Growth	-645	Recharge budget for Investment Property MRP not required as will be met centrally
Growth	-225	Carbon Reduction (CRC budget) scheme now ceased
Growth	-250	Repairs and Maintenance budget reduced to reflect actual requirement
Growth	-200	Concessionary fares budget adjusted to match expenditure
Children's	1,000	Compass School - saving was allocated to the General fund but it is really DSG related.
Legal	50	Legal - Unfunded Solicitor post, previously funded from section 106 money.
Legal	58	Rebase of members costs to reflect that no savings arose following the allowances review
Children's	416	Early Help extended locality model to stop children coming into care, saving not going to be achieved
Finance	38	Treasury Management income not going to be received
Finance	52	Credit Card charges for the cash office.
Finance	50	Corporate Finance - Income target for external VAT work unachievable due to in-house work pressure.
Finance	80	Finance Business Partners - unachievable saving target for work for other Local Authorities

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Adult Social Care budget rebase Appendix 2

	2020/21	2021/22	2022/23	Total
	£000s	£000s	£000s	£000s
A. RESOURCE REQUIRED				
In year overspend at month 5	2,000	2,000	2,000	6,000
Add back - 19/20 one off overspend mitigations	1,550	1,550	1,550	4,650
Client numbers pressure	482	1,169	1,859	3,510
Living Wage Inflation	1,929	3,938	5,938	11,805
Other contract non NMW Inflation	192	391	601	1,184
Additional staffing resource	1,036	622	552	2,210
sub total (resource required)	7,189	9,670	12,500	29,359
B. LESS FUNDING IDENTIFIED				
implementation of service efficiencies	-859	-859	-859	-2,577
Central funds to offset LW & Client numbers pressure	-2,415	-4,915	-5,415	-12,745
sub total (funding identified)	-3,274	-5,774	-6,274	-15,322
C. NET TOTAL rebasing	3,915	3,896	6,226	14,037

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Summary of key funding: Comparison of Spending Round 2019 with current MTFS assumptions

Funding element	YEAR1: Existing 2020/21 MTFS Feb 2019 £m	Estimated benefit of Spending Round 2019 £m	2020/21 Difference compared to existing MTFS £m	YEAR 2: Existing 2021/22 MTFS Feb 2019 £m	Reduction in February MTFS assumption v SR2019 for YEAR 1
Social Care – additional funding*	0.0	4.8	4.8	0.0	-4.8
Improved Better Care Fund	7.7	9.3	1.6	7.7	-1.6
Winter Pressures Grant	0.0	1.1	1.1	0.0	-1.1
Social Care Support Grant	0.0	1.9	1.9	0.0	-1.9
Better Care Fund - NHS contribution to adult social care [#]	5.6	5.8	0.2	5.6	-0.2
Revenue Support Grant and Top-Up Grant [~]	15.3	15.6	0.3	15.3	-0.3
Totals	28.6	38.5	9.9	28.6	-9.9

NOTE: Being Consulted by Governemnt: Proposed: Council Tax – Additional 2% on Social Care Precept	0.0	2.0	2.0	0.0	
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* if allocated based on existing social care relative needs formula

[#] 2019/20 contribution is still to be confirmed. Assumes real terms growth applied in 2020/21 won't be removed in 2021/22

[~] Assumes inflation applied in 2020/21 won't be removed in 2021/22

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Savings Proposals

Budget reduction

Row Labels	Sum of 2020/21 Savings £000	Sum of 2021/22 Savings £000	Sum of 2022/23 Savings £000
Children and young people get a good start in life	139	139	139
Modern, sustainable council	1,922	2,874	2,899
People in Southampton live safe, healthy, independent lives	1,709	3,114	4,159
Grand Total	3,770	6,127	7,197

Income generation

Row Labels	Sum of 2020/21 Savings £000	Sum of 2021/22 Savings £000	Sum of 2022/23 Savings £000
Modern, sustainable council	313	435	435
Southampton is an attractive, modern city where people are proud to live and work	950	955	955
Strong, sustainable economic growth	2,791	2,791	2,791
Grand Total	4,054	4,181	4,181

Total savings

	Sum of 2020/21 Savings £000	Sum of 2021/22 Savings £000	Sum of 2022/23 Savings £000
Children and young people get a good start in life	139	139	139
Modern, sustainable council	2,235	3,309	3,334
People in Southampton live safe, healthy, independent lives	1,709	3,114	4,159
Southampton is an attractive, modern city where people are proud to live and work	950	955	955
Strong, sustainable economic growth	2,791	2,791	2,791
	7,824	10,308	11,378

Expenditure Reductions Proposals	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information
Adults Portfolio Savings				
Increasing availability of support and carrying out assessments more quickly to help people to return home after a short stay in residential care on discharge from hospital	34	34	34	Making sure that timely assessments are carried out and suitable care arrangements are put in place as quickly as possible to support someone to return home in line with their and their family's wishes.
Making best use of the full range of services that are currently available to support people to live independently in a community setting	370	740	1,110	More people will be better supported to live independently through improved access to support provided by the voluntary sector (for example through the recently launched SO:Linked initiative which includes a community navigation service to link people with support available in the city and their communities); the use of telecare (for example, through the provision of a medication dispenser and an alarm unit); through the delivery of hot meals (for example, from City Catering) or by identifying additional community support by using a new online community resource directory.
Expanding the successful reablement service so more people benefit from short term, intensive support	655	1,310	1,986	The current focus is on providing reablement care to people being discharged from hospital, but this proposal will widen this to ensure that it can be offered to people living at home, who approach the council for support for the first time or when their needs change. People who are identified as being most likely to benefit from reablement care will be prioritised for the expanded service. Reablement care is proven in Southampton to support people to lead the life they want to lead without the need for ongoing care. Ongoing care will still be available to those who need it.
Occupational Therapy (OT) reviews to identify where equipment can be used to enable care to be provided in the home by one carer	80	80	80	Occupational Therapy review of all care packages needing two carers for moving and, where appropriate, reduce this through training and/or the introduction of new equipment. Clients will continue to receive the care and support needed to meet their needs in full. In the future, this may be through one carer using equipment and the latest techniques.
Increased availability of housing with care options ('extra care') across the city	100	480	480	Investing in new extra care housing schemes such as Potter's Court, which will give people more options to live in their own home, as part of a caring community, where their support needs can be met.
Ensuring direct payments are being used in accordance with care and support plans to meet care needs	320	320	320	Timely reviews of direct payments to make sure they are being used in the best way.
The provision of better and earlier advice and information on adult social care and community support to meet Care Act 2014 duties, to promote wellbeing and support independence.	150	150	150	Work with Hampshire County Council to implement the web-based advice and information portal 'Connect to Support Hampshire' as an alternative to the current Southampton Information Directory for adult social care. Make full use of the SO:Linked initiative, the new Community Support framework that has been commissioned in Southampton (and is provided by Southampton Voluntary Services, the Alzheimers Society, Solent Mind and other organisations) to signpost people to support and develop the support people need to thrive in their communities.
ADULTS TOTAL	1,709	3,114	4,159	
Aspiration, Children & Life long Learning Savings				
Developing a 'Level 4' Specialist Foster Care scheme in Southampton	131	131	131	Developing Tier 4 Foster Service.
Learning & Development Systems	8	8	8	Children's and Families combining Learning & Development systems.
Total Aspiration, Children & Life long Learning	139	139	139	

Expenditure Reductions Proposals	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information
Resource Portfolio Savings				
Single Person Discount	260	87	87	Commission external company to review entitlements to Council Tax Single Person Discount on a three year rolling programme of a full year review followed by two partial year reviews.
Up front payments of Council contributions to LGPS Pension Fund	100	100	100	Once year contribution rather than monthly, with a discount received for early payment. Subject to 2019 Fund Valuation by actuary.
IDEA including Duplicate Payments	100	75	50	Use IDEA software to identify and reclaim duplicate payments.
Transfer of land for Council Homes.	150	150	150	When the Housing Revenue Account appropriates land from the general fund for housing, a debt transfer takes place equivalent to the value of the land. This will generate a saving on the servicing of that debt in the general fund.
Progressive removal of on-premise data centre	0	50	50	IT strategy to be implemented, part of digital Plan
IT asset rationalisation (printers, phones etc)	50	50	50	Reviewing of devices and contract with Vodaphone
Procurement of large scale printing	50	50	50	Panacea system via other Local Authority which would release savings against current contract
Improved collection of council tax	157	321	321	Increased debt recovery of council tax due to use of new software system with increased email and text reminders.
Back office integration / further centralisation of Business Support	40	81	81	Additional efficiencies to be investigated further
Improving Absence management with 2 year investment in targeted additional resource	125	200	250	Absence management
Temporary Employment Agency	20	20	20	Creation of SCC Temporary Employment Agency
Council resource review	500	500	500	Review to be implemented in January 2020
Capital Financing	120	940	940	Savings made through borrowing from Public Works Loan Board at a competitive rate for £90m at an interest rate lower than previously assumed in budget figures
Total resources	1,672	2,624	2,649	
Cross cutting				
Procurement contract savings	250	250	250	Target to be allocated across portfolios
Cross cutters (to be allocated)	250	250	250	
OVERALL TOTAL	3,770	6,127	7,197	

	Income Generation Proposal	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information
	Leaders Portfolio				
9	Hire out of parks for events	50	50	50	Additional income from charging for use of assets.
12	Events income	100	100	100	to set budget to actual achievement year on year
	Total leaders	150	150	150	
	Place & Transport Portfolio				
14	Cost Recovery and Charging policy	60	60	60	To identify the true cost of services, including a general review of fees and charges.
15	Increasing commercialisation of the courier service	14	14	14	Potential for extra income to be generated from the recently created new driver position charging externally for deliveries.
16	Offer alternative parking location for contractual car users.	20	20	20	
17	Increase civil enforcement capacity to allow more frequent patrols in some areas to improve compliance with parking regulations.	7	7	7	Would increase compliance on parking.
	Total Place & Transport	101	101	101	
	Resources Portfolio				
19	Property Investment Fund	2,750	2,750	2,750	Potential excess of rental income over financing costs for £200M
20	Highways gain-share to revenue	800	800	800	Current gain share agreement with partner will be paid to revenue rather than capital. The service are currently reviewing the contractual arrangements in order to maximise potential rebates from 2020/21 onwards
21	Improved recovery of income reducing the level of bad debt provision required.	128	250	250	Improved recovery rate resulting in improved bad debt provision
23	Trading with Schools - growing capacity.	30	30	30	To be considered as wider project looking across range of services e.g. legal, data etc.
24	Learning and Development service	20	20	20	Review of in house and traded services
25	Reduction of paper letters sent	30	30	30	Saving on postage and envelopes
26	Increased income from Schools for data charges	15	15	15	Ongoing school data savings
27	Advertising on litter bins.	0	5	5	Net income potential is relatively low across existing recycling bins but could be increased on the new compactor bins
30	Services to the market	30	30	30	legal services
	Total Resources	3,803	3,930	3,930	
	OVERALL TOTAL	4,054	4,181	4,181	

Investment in Services

Description	2020/21		2021/22		2022/23		Total	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
A city of culture by 2025	319	10	27	0	192	0	539	10
Delivery of Bitterne Community Hub Project	300	0	0	17,600	50	0	350	17,600
Global partnership programme	20	0	20	0	20	0	60	0
Green City Charter	207	1,000	226	0	226	10,000	659	11,000
People and place planning through the Local plan phase	327	0	112	0	0	0	439	0
Connected Southampton 2040 (Local Transport Plan 4)	0	0	0	26,700	0	0	0	26,700
Connected City	212	960	114	780	114	130	440	1,870
Future of work inquiry response	0	0	700	0	600	0	1,300	0
Itchen bridge payment (Contactless)	140	0	125	0	55	0	320	0
Itchen flood defences	248	0	286	0	286	0	820	0
implementation of better client handling (new case management system)	46	0	50	0	50	0	146	0
HIGHWAYS CAPITAL programme	104	0	0	0	0	0	104	0
Improving surplus generated by our services to reinvest in council services		4,630		5,630		6,630	0	16,890
Digital Customer Experience Improvement	185	0	191	0	191	0	567	0
Smart Ways Of Working	98	400	0	0	0	0	98	400
Organisational Development	83	1,657	39	1,000	39	1,000	161	3,657
Reducing overheads and streamlining our processes to improve outcomes and services	200	0	200	0	200	0	600	0
Safer Communities	325	100	97	0	97	0	519	100
Community Assets - Outdoor Sports Centre	314	0	216	0	162	0	692	0
Children to get a good start in life	0	150	0	1,300	0	5,400	0	6,850
NET TOTAL	500	0	500	0	500	0	1,500	0
	3,626	8,907	2,903	53,010	2,782	23,160	9,311	85,077

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DECISION-MAKER:	CABINET		
SUBJECT:	UPDATE ON PLANNING FOR BREXIT		
DATE OF DECISION:	15 OCTOBER 2019		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Felicity Ridgway Service Lead - Policy, Partnerships and Strategic Planning	Tel 023 8083 3310
	E-mail:	felicity.ridgway@southampton.gov.uk	
Director	Name:	James Strachan Service Director – Customer, Digital and Policy	Tel 023 8083 3436
	E-mail:	james.strachan@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>Following the 2016 referendum, the UK has agreed to leave the European Union (EU). Between January and March 2019 the UK Withdrawal Agreement was voted on a number of times by the House of Commons and rejected. At a Special European Council which met in April 2019, the UK and EU agreed to extend the date on which the UK is due to leave the EU to 31 October 2019, unless a withdrawal agreement is ratified by both parties before this date.</p> <p>Negotiations between the UK and EU are ongoing, and Parliament will continue to debate the process of leaving the EU. This report therefore reflects the position at the time of writing and any changes to the UK’s position will be outlined verbally at the Cabinet meeting on 15 October 2019.</p>
<p>At the time of writing, the current legal default position remains that the UK will leave the EU on 31 October 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.</p>
<p>This paper outlines the potential impacts that could be seen in the event of a no-deal Brexit on Southampton and the wider region, as well as the steps being taken to mitigate the risks of the most disruptive potential impacts.</p>
<p>There continue to be a number of unknowns about the process for leaving the EU, contingent on negotiations and decisions with the EU and within Government and Parliament. The nature and extent of any impacts will be influenced by the outcomes of these negotiations and any decisions taken by the UK Government to respond to any disruptive impacts in the event of a no-deal Brexit. The council’s planning, preparations and response will continue to adapt as more information becomes available.</p>

RECOMMENDATIONS:		
	(i)	To note the current position of Southampton City Council's planning in relation to UK's exit from the European Union.
REASONS FOR REPORT RECOMMENDATIONS		
1.		To ensure that Cabinet is aware of the potential impacts of a no-deal Brexit (including the potential most disruptive impacts) and the steps being taken to plan for and mitigate any risks.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.		None
DETAIL (Including consultation carried out)		
3.		Following the result of the 2016 Referendum, the UK agreed to leave the EU on 29 March 2019. Between January and March 2019 the UK Withdrawal Agreement was voted on a number of times by the House of Commons and rejected. After an initial agreement to extend the exit date and agree a way forward by 12 April 2019, the UK and EU agreed to extend the 'Article 50' notice period until 31 October 2019.
4.		The most recent legislation (EU Withdrawal Act No.6) requires the Government to request a further three-month extension to Article 50 by 19 October, unless a deal has been agreed or Parliament has agreed to leave the EU without a deal. Parliament was suspended on 9 September in advance of a new Queen's Speech. This was appealed to the Supreme Court, which on 24 September ruled that the suspension was unlawful, and Parliament resumed on 25 September.
5.		With the outcome of any request to extend Article 50 being uncertain, the legal default position at the time of writing is that the UK will leave the EU on 31 October with no deal. Southampton City Council is continuing to plan for all scenarios, including specifically a 'no-deal' scenario.
6.		<p>Planning is being led by a core team of officers, as well as being embedded into business as usual continuity planning across the organisation. The core team is led by James Strachan (nominated Brexit lead officer). Supporting this planning, officers are also working with:</p> <ul style="list-style-type: none"> • Hampshire and Isle of Wight Local Resilience Forum (LRF) • The Leaders and Chief Executives of neighbouring councils including Hampshire, Isle of Wight and Portsmouth. • Regional networks, led by 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. • Local partners and stakeholders, led by Southampton Connect, bringing together leaders from the public, private and third sectors across the city to consider a citywide approach to Brexit.
7.		The Government has published some details of 'Operation Yellowhammer', detailing its planning assumptions for a no-deal scenario. These assumptions have been built into local planning. Headline scenarios include:

	<ul style="list-style-type: none"> • Up to 85% of HGVs crossing to France from Kent ports may not be ready for French customs, with HGVs not ready being turned back prior to reaching ports and the process of crossing the border taking up to two and a half days, with consequent traffic impact; • Displacement to other ports including Portsmouth, exacerbating their own customs problems, with consequent traffic impact; • Temporary arrangements to 'wave through' EU imports ie not impose new checks on consignments coming into the UK from EU countries. Official controls on third country imports will be business as usual; • Significant electricity price increases; • Some impact on supplies of medicines and fresh foods; • Potential protests, counter-protests, public disorder and community tensions, absorbing police capacity; • No legal basis for data transfer between the UK and the EU.
	<p>Funding</p>
<p>8.</p>	<p>Southampton City Council has been awarded the following funding to plan for the potential impacts of Brexit. These funds can only be used to plan and prepare for Brexit:</p> <p>Funding for Local Authorities £105K 2018/19 £105K 2019/20 https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-01-28/HCWS1279/</p> <p>£104,984 allocated in August 2019 (19/20) https://www.gov.uk/government/news/government-readies-whole-nation-for-brex-it-with-every-council-to-have-a-designated-brex-it-lead</p> <p>Funding distributed by Government to Local Authorities in Port areas £136,362 (Southampton General Port) £136,362 (Southampton Container Port) https://hansard.parliament.uk/Commons/2019-02-20/debates/19022042000009/LocalGovernmentBrexitFundingLocalPorts</p> <p>Additional funding for Local Authorities in Port Areas announced August 2019 £150,000 https://www.gov.uk/government/news/9-million-announced-to-get-ports-and-local-areas-ready-for-brex-it</p> <p>Total: £737,708</p>
<p>9.</p>	<p>In 2018/19 the council spent £4,589 on Additional Official Veterinary Surgeon hours in the Port Health Service (102 extra hours in 2018/19 @ £44.99 per hour). When the extension to Article 50 was confirmed, the</p>

	remaining funding was 'rolled over' to 2019/20 in order to support planning at the point of leaving the EU.																		
10.	<p>Funding in 2019/20 is being allocated to:</p> <ul style="list-style-type: none"> • Staff costs to deliver planning activity in relation to Brexit (existing staff diverted to new duties) • Dedicated project management resource • Additional Veterinary and Port Health Staff in the Port Health Service • Additional Business Support staff in the Port Health Service • Communications to support residents and businesses to prepare for Brexit • Reserve to subsidise medicine costs within substance misuse and open access sexual health services (council delivered services) in the event of any shortages and price rises • Laptops to support flexible and mobile working for some business critical teams, including Emergency Planning Team • Temporary variable message signs on key routes in the city <p>Funding in 2019/20 is being allocated to:</p> <table border="1"> <tr> <td>Allocated Costs</td> <td></td> </tr> <tr> <td>Staff costs to deliver planning activity in relation to Brexit (existing staff diverted to new duties)</td> <td>110,000</td> </tr> <tr> <td>Additional Veterinary Surgery Hours in Port Health Service</td> <td>30,000</td> </tr> <tr> <td>Additional Port Health resources</td> <td>88,000</td> </tr> <tr> <td>Emergency Planning Equipment</td> <td>3,000</td> </tr> <tr> <td>Reserve to subsidise medicine costs within substance misuse and open access sexual health services (council delivered services) in the event of any shortages and price rises</td> <td>70,000</td> </tr> <tr> <td>Highways - temporary variable message signs</td> <td>10,000</td> </tr> <tr> <td>Communications budget</td> <td>20,000</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td>331,000</td> </tr> </table> <p>This leaves £400,000 unallocated. Additional funding is being considered to support communications (including travel alerts and business preparation) and additional equipment to enable flexible working. Any remaining funds will be held as a contingency to cover unexpected costs or requirements.</p>	Allocated Costs		Staff costs to deliver planning activity in relation to Brexit (existing staff diverted to new duties)	110,000	Additional Veterinary Surgery Hours in Port Health Service	30,000	Additional Port Health resources	88,000	Emergency Planning Equipment	3,000	Reserve to subsidise medicine costs within substance misuse and open access sexual health services (council delivered services) in the event of any shortages and price rises	70,000	Highways - temporary variable message signs	10,000	Communications budget	20,000	TOTAL	331,000
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Communications budget	20,000																		
TOTAL	331,000																		
	Potential identified impacts																		
11.	Southampton City Council published a report to Cabinet in February 2019, outlining the key risks associated with a no-deal Brexit, and the steps being taken to mitigate these risks. Since then, the risks to Southampton and the wider region remain broadly the same, and this update therefore reiterates																		

	<p>many of the messages from the previous report in February. The additional activity undertaken since February has allowed the Council to become more resilient in some areas, and the time-specific risk linked to the Millbrook roundabout works previously reported is no longer applicable.</p>
12.	<p>The potential most disruptive impacts that could be seen in Southampton following a no-deal Brexit have been identified as follows:</p> <ul style="list-style-type: none"> • Traffic disruption arising from delays at the Port of Portsmouth and extending along the strategic road network; • Simultaneous train network disruptions further affecting staff travel; • Staff travel problems linked to road and traffic disruption; • New Port Health IT system not being operational; • Availability of essential supplies (e.g. medicines/vaccines or food) and/or public perception of supply shortage; • Community tensions; • Lack of preparedness among local exporters, particularly small businesses unfamiliar with the need for export certificates; • Other effects such as a lack of legal basis for data flows and the possibility of a mutual aid requirement under which public service staff such as police officers would be redeployed to Kent. • Potential for workforce shortages for both SCC and contracted services
13.	<p>Traffic disruption linked to Portsmouth International Port:</p> <p>The Local Resilience Forum (LRF) has identified traffic disruption linked to delays at the Port of Portsmouth as a high risk. This is because, like the Port of Dover, Portsmouth 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-deal. The Government has predicted that up to 85% of HGVs will be turned away before entering the port at Dover due to not having the correct paperwork, and therefore similar difficulties could be seen in Portsmouth. In combination with potential delays in ferry turnaround at EU ports causing delays to scheduled departures, this could lead to severe congestion on the road network leading into/out of Portsmouth. In addition, HGVs may opt to use Portsmouth due to the expected severe disruption at the Port of Dover, further compounding any congestion problems.</p> <p>It is possible that traffic for the Port of Portsmouth could be seen queuing along the M275, and onto the M27 possibly as far as Whiteley if significant disruption is experienced, affecting critical routes for the city of Southampton and disrupting council staff travel.</p> <p>The council is working closely with Portsmouth City Council and the LRF to address these risks through agreed ‘stacking’ arrangements in Portsmouth and near Winchester, which will reduce road congestion through a managed HGV queueing system.</p>
14.	<p>Train network disruptions:</p>

	<p>At the time of writing, planned engineering works are due to take place on main commuting route between Southampton and Portsmouth, further exacerbating any impact on travel between the two cities caused by traffic disruption linked to Portsmouth International Port. The routes affected are GWR and Southern between 26 October and 3 November 2019.</p>
15.	<p>Staff travel problems linked to road and traffic disruption:</p> <p>With potential disruptive impacts regarding transport networks as set out above, there is a risk that some council staff may be unable to travel into offices or meet with customer/service users, or may be delayed if they do travel into, out of or across the city. This in turn could create risks to the delivery to key frontline services including social care.</p> <p>Since February 2019 when Cabinet were previously updated, the council has continued its rollout of the Smarter Ways of Working programme, providing more staff with remote access equipment including laptops and mobile phones. At the time of writing, more than 500 new laptops have been rolled out to staff as part of the Smarter Ways of Working Programme (although some of these staff may already have had some remote working capacity). This has helped the organisation to become more resilient and flexible in the case of transport disruption, enabling more people to work from home where appropriate and minimising the risks of service disruption.</p> <p>Existing business continuity plans are being reviewed to understand the potential impact on specific services and ensure that frontline and essential services will not be disrupted should some staff be unable to travel into the city.</p>
16.	<p>New Port Health IT system</p> <p>At the time of writing, the Port Health authority are still using the Europe wide TRACES system. If the UK leaves the EU on 31 October with no deal, the authority will switch over to the new IPAFFS system which has been developed by the Department for Environment, Food and Rural Affairs (DEFRA).</p> <p>Training was carried out with Port Health staff by DEFRA on the IPAFFS system in the lead up to the previous exit date. Port Health staff will be undertaking further training with DEFRA on 9 October 2019. Local import agents are also invited to this training session. However, there remains a risk that if there are issues with this system there could be service disruption.</p> <p>To mitigate any risks of disruption, the service has hired additional veterinary staff. This was carried out well in advance of the current October 31 exit date, due to the length of time it takes to train new members of staff in this area. Additional funding has also been agreed for an additional Import Control Assistant and an additional Business Support Officer to support customs procedures. As a result, the service has in place the necessary</p>

	staff required to deal with any increase in trade or any disruption arising from issues with the new IPAFFs system.
17.	<p>Availability of essential supplies (e.g. medicines/vaccines or food) and/or public perception of supply shortage</p> <p>Whilst no specific risks to have been identified indicating that Southampton would be at greater risk of disruption to supply chains for essential supplies, it is important to note the potential disruptive impacts on the council and residents if the availability of essential supplies reduces for any period of time. In the event of a no-deal Brexit, the Government has acknowledged that certain fresh food supplies could decrease, reducing choice and potentially increasing price. There is an additional risk that stockpiling or panic buying could disrupt food supplies further. Southampton has relatively high levels of deprivation with around 24% of children living in relative poverty and 19 Lower Super Output Areas within the 10% most deprived in England. This means that some residents in Southampton are more likely to be affected by any price increased than more affluent areas of the UK.</p> <p>The Government's Operation Yellowhammer report noted that existing medicine shortages could worsen due to shipping transport delays, with a worst-case flow rate of 40% on day one of a no-deal Brexit. The Department of Health and Social Care has provided assurance that plans are in place to mitigate against any shortage. The NHS website has information for the public on getting access to medicines in the event of a no deal Brexit - https://www.nhs.uk/conditions/medicines-information/getting-your-medicines-if-theres-no-deal-eu-exit/Delays</p> <p>The council is responsible for delivering public health services including open access sexual health clinics and substance misuse services. The council is setting aside reserve funds to mitigate against any cost increases in medicines used within these services.</p> <p>The Operation Yellowhammer report also noted that traffic disruption caused by border delays could affect fuel distribution in the Kent region. However, it also identified that customer behaviour could lead to shortages elsewhere in the UK.</p>
18.	<p>Community tensions</p> <p>It is possible that the final outcome of the Parliamentary process and negotiations with the EU could potentially escalate or aggravate community tensions. Tensions could also 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 (latest data); 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. The Operation Yellowhammer report also noted that protests and counter-protests could take place across the UK, which would have an impact on Policing resources.</p>

	<p>The council is continuing to work with the police to monitor tensions including any potential rise in hate crime, and has systems in place to ensure that civil demonstrations are carried out in a safe way.</p>
	<p>Impacts on the Port of Southampton</p>
19.	<p>Council officers are working closely with Associated British Ports (ABP), owner of the Port of Southampton, to understand their assessments and preparation for Brexit. At the time of writing, the risk of any disruption to the Port of Southampton and therefore the traffic networks within the city is considered by ABP to be low.</p>
20.	<p>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 operate through the container port, meaning that the logistics and management of traffic dropping off or picking up containers can be managed. There is also some land available within the Port as a contingency.</p> <p>The vast majority of the Port's trade is non-EU so is currently subject to checks. In contrast, essentially all Dover and Portsmouth trade is of EU origin, so a very different level of checking currently takes place in those ports – hence the lower level of impact expected in Southampton if new checks on EU traffic are required.</p>
21.	<p>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. In addition, the current works to Redbridge Roundabout are not causing the level of traffic disruption that was seen at the time of the Millbrook Roundabout scheme. Therefore, officers are not advising that any significant traffic disruption is likely to be experienced within the city linked to the Port and M271 in the event of a no-deal Brexit.</p>
	<p>Other Potential Impacts</p>
22.	<p>Personal Data Flows: Council officers have analysed data flows to EU/EEA countries and have provided assurances as far as possible that no data is hosted in EU/EEA countries, and at risk from Brexit.</p> <p>In the event of a no-deal Brexit, legislation will come into force that creates a UK version of the General Data Protection Regulation (GDPR), which will be subject to an adequacy decision to ensure that it offers the same level of protection to EU citizens as the current EU GDPR.</p> <p>Until the adequacy decision is made, the UK will be deemed to be a 'third country', and the transfer of personal data <u>from</u> the EEA to the UK will be restricted. This is unlikely to have an impact on the council, however, as there are limited data flows in this direction, and these would generally be ad hoc in nature, covered by an exception under the GDPR.</p>
23.	<p>Elections: There continues to be a possibility of a snap general election or second referendum. The council is preparing for all eventualities, but additional staffing pressures could be felt when organising and running elections at short notice.</p>

24.	<p>Mutual Aid: Southampton City Council will continue to work with local partners to ensure a regional approach to preparing for Brexit. It is possible that this could require council staff to be diverted to support partners through a mutual aid approach. Unless mandated by Government, this will only be considered where it does not have a detrimental impact on essential local services.</p> <p>Southampton City Council has agreed, on a mutual aid basis, to accommodate staff from neighbouring local authorities to with within council premises in the event of regional traffic disruption.</p>
25.	<p>Wider and longer term impacts: Longer-term impacts of the UK's exit from the EU (in any form) in Southampton may include:</p> <ul style="list-style-type: none"> • The general effects of any potential economic disruption or downturn. • Potential workforce shortages in some sectors as a result of any limitations into the UK for EU workers. This is likely to have the greatest impact in areas where there are existing challenges to recruitment, including social care providers and other technical specialisms. • Potential positive impacts of greater commercial opportunities for the Port and local export businesses through new trade deals. <p>Southampton City Council is liaising with the Hampshire Chamber of Commerce, the Bank of England, the Ministry of Housing, Communities and Local Government, as well as key local agencies such as the Local Resilience Forum, in order to monitor any impacts on the local economy.</p>
	<p>Information and Advice</p>
26.	<p>The council's Brexit webpage provides links to advice and information from the government for business and employers. This includes the Employer toolkit and 'no-deal guidance notices'. The council's Communications Team are continuing to promote links to information for businesses and residents via social media, and will increase the frequency these messages as planning continues leading up to 31 October.</p>
27.	<p>The council is working closely with Hampshire Chamber of Commerce to ensure information is shared with businesses and local business are planning for Brexit. This will include a programme of events and communisations in October 2019 to help businesses prepare. The council is also engaging with organisations across the public, private and voluntary/community sector through Southampton Connect in order to align messaging and information to residents and local businesses.</p>
28.	<p>The council's Registration Service offers additional help with the Settlement Scheme for those applying for Settled Status and Pre-Settled Status, for a small fee of £14. This service has supported more than 1,000 EU nationals since the scheme went live. The service can support applicants by scanning and officially verifying passports or biometric residence permits before the online application. Additional support for vulnerable applicants is being provided by Citizens Advice Southampton and EU Welcome.</p>
<p>RESOURCE IMPLICATIONS</p>	
<p><u>Capital/Revenue</u></p>	
29.	<p>There are no immediate Capital implications directly relating to this paper. Revenue implications at this stage are mostly related to staff time, with</p>

	significant resource being required to address planning and preparation issues.
30.	The £738K funding announced by the Government will be used to cover the costs of staff linked to planning and preparation for Brexit, as well as specific service level requirements.
31.	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.
<u>Property/Other</u>	
32.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
33.	N/A
<u>Other Legal Implications:</u>	
34.	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	
35.	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.
36.	The Council's risk log for Brexit planning has not been published at this stage, in line with a Public Interest Test decision.
POLICY FRAMEWORK IMPLICATIONS	
37.	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
<u>SUPPORTING DOCUMENTATION</u>	
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
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	N/A	
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DECISION-MAKER:	CABINET		
SUBJECT:	THE FUTURE OF ST. MARY'S LEISURE CENTRE		
DATE OF DECISION:	15th OCTOBER 2019		
REPORT OF:	CABINET MEMBER FOR HOMES AND CULTURE		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Paul Paskins	Tel: 023 8083 4353
	E-mail:	paul.paskins@southampton.gov.uk	
Director	Name:	James Strachan	Tel: 023 8083 3436
	E-mail:	james.strachan@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
<p>Appendix 1 of this report is not for publication by virtue of categories 3 (financial and business affairs), and 7A (obligation of Confidentiality) of paragraph 10.4 of the Council's Access to Information Procedure Rules, as contained in the Council's Constitution.</p> <p>It is not in the public interest to disclose this information as the appendix contains confidential and commercially sensitive information regarding the Council's commercial approach to a confidential bidding and selection process. It would prejudice the Council's ability to operate in a commercial environment and obtain best value in contract negotiations and would prejudice the Council's commercial relationships with third parties if they believed the Council would not honour obligations of confidentiality.</p>	
BRIEF SUMMARY	
<p>This report seeks Cabinet approval to proceed with a competitive bidding process to select and appoint an organisation to operate and maintain the building known as St Mary's Leisure Centre ('the Centre') for a period of twenty years. The winning bidder will be required to create a 'Community Hub' facility in the Centre. This is envisaged to be a flexible and vibrant space that brings a number of providers together to offer a range of activities, programs and services to the whole local community in order to make a positive contribution to the achievement of the Council's Strategic Objectives including:-</p> <ul style="list-style-type: none"> • Southampton has strong and sustainable economic growth; • Children and young people get a good start in life; • People in Southampton live safe, healthy independent lives and • Southampton is an attractive and modern city where people are proud to live and work. 	
RECOMMENDATIONS:	
(i)	To approve the disposal (by way of lease) of St Mary's Leisure Centre
(ii)	To delegate authority to the Service Director: Customer, Digital and Policy, following consultation with the Cabinet Member for Homes and Culture, the Executive Director for Finance and the Service Director: Legal and Governance to take all necessary steps to grant a lease and associated contract with the selected bidder following the completion of a competitive bidding process.

REASONS FOR REPORT RECOMMENDATIONS

1.	It is anticipated that approval of the recommendations of this report will result in a facility which will actively to contribute to all of the Council's Strategic objectives, achieve 'best consideration' and result in a vibrant and diverse facility which forms an integral part of the local community facilities and results in use and engagement from both the local community and residents of the wider city.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	A Community Asset Transfer (CAT) – this option was considered, but has been rejected as it would not enable the Council to exercise sufficient control of the use of the Centre once it was transferred. This may result in the Centre not being used for a range of cross-community activities and this would not, therefore, support the outcome of the consultation described in the 'Consultation carried out' section of this report.
3.	Continue to operate the Centre as a Leisure facility - undertake a bidding process to select a new operator to continue running the Centre as an (exclusively) leisure and sports facility. This option was rejected as a new leisure operator is likely to struggle to compete with Solent University ("SU's") new sports facility which is in close proximity and has over 40 pieces of cardio equipment, a sports hall, a fitness suite and a range of state of the art facilities and equipment. Around 20% of the users of the Centre were members of the public and 273 former users of the Centre have now transferred and use the gym facilities at SU's new building. Furthermore SU is a strategic partner to the Council and seeking to compete on a like-for-like basis is unlikely to be in the interests of either organisation or those who wish to use leisure facilities.
4.	Lease the building on the open market without use restrictions (subject to planning permission) – the Council's assessment is that this is most likely to result in the facility being used for a purpose (such as a nightclub) which would not support the Council's objectives for the use of the facility, the beneficial outcomes of such use and the results of the consultation and has, therefore, been rejected.
5.	<p>Sell the site on for development into housing or an alternative use. There would be two options:-</p> <ul style="list-style-type: none"> • Option one would be for the Centre to be demolished so that new housing or an alternative use-building could be developed, however due to its Grade 2 Listing, a developer is very unlikely to obtain permission to proceed with such a demolition. • Option two would be for a developer to convert the current building into living accommodation or an alternative use. This would present some issues due to the stairs and balcony being Grade 2 Listed so any accommodation would need to be developed around these restrictions. There is currently a flat on the 2nd floor but this is uninhabitable as the only available escape route is through the building. The Council's assessment is that it will be difficult to get planning permission due to its listing and therefore may not be financially viable to developers for housing. <p>It is highly unlikely that either of the options above would support the outcome of the consultation nor the Council's objectives and, therefore, these options have been rejected.</p>

DETAIL (Including consultation carried out)	
6.	SU have managed the Centre under a Service Concession (“the Agreement”) since 1st August 2010.
7.	This Agreement ended on 31st July 2019 to allow SU to operate from a newly-constructed facility.
8.	By agreement with the Council SU are, however, continuing to operate the Centre whilst the process described in this report is undertaken, subject to Cabinet approval of the recommendations of this report.
9.	The Centre is an ageing facility which is Grade 2 Listed and its condition is such that repairs will need to be undertaken in the short to medium term.
10.	The Centre is situated in an area of significant deprivation and has a very diverse population. Whilst this creates challenges in terms of developing an offer with sufficiently broad appeal, it also creates an opportunity to develop a facility which actively supports the whole of the local community.
11.	It is recommended that a competitive bidding process is undertaken to select the new operator of the facility. Subject to acceptable service proposals, service standards and commercial terms (as detailed in confidential Appendix 1) this will result in the Council granting a new lease and entering into a new contract with the selected operator.
12.	<p>The new facility will support and offer a range of services to the community. The objectives include:-</p> <ul style="list-style-type: none"> • Creating an inclusive and vibrant facility which will be attractive to, and used by, the local community and the community of the wider city; • Offering a range of activities and opportunities which are accessed by a broad cross section of the community; • Offering a sufficiently flexible space, lease and contract terms to allow small operators to occupy and/or sub-let spaces to help ensure that a diverse range of activities are offered; these may include ‘pop-up’ organisations which may elect to operate from the facility for relatively short or longer periods of time; • Offering a bidding process which allows bidders to be creative and innovative in their offers. It is anticipated that bids and proposals may include outreach activities, therapy facilities and activities to promote and support positive mental health, physical health and wellbeing, art and culture offerings, sports and fitness activities and activities aimed at young people and • Ensuring that there is a requirement for the incoming operator to consider offering a publicly-accessible gymnasium and a squash court. The rationale for the former is to continue to provide an opportunity for local community to continue to have access to very local exercise facilities and the latter because there is a deficiency of squash facilities in the city. It should be noted that if, at any point, the operator’s position is that there is no longer a community need for these facilities, then the operator will be entitled to approach the Council to describe their proposals, rationale and seek permission to discontinue providing one or both of these facilities.
13.	The competitive process, in summary, consists of an assessment of bidders’ proposals under the broad headings of the benefits to the whole community,

	quality of proposal, plans for the future of the centre and the financial stability of the bidding organisation.
14.	The Council has been informally approached during 2019 by a number of organisations who have expressed an interest in operating the Centre on either a commercial, community or specific sole interest basis . Records of these approaches have been retained and these organisations will be made aware that the opportunity is formally available at the point at which the bidding process commences
15.	It is likely that the Centre would struggle to directly compete with SU's sports and fitness facility, which is in the vicinity. The change of the offer at the Centre to a community hub facility will complement – rather than seeking to compete with - the SU offer in order to provide a wider and more diverse range of activities and opportunities for the local community.
16.	It is anticipated that, subject to the process resulting in a successful appointment, the new operator will take possession of the Centre between March and April 2020.
17.	It is likely that the new operator will need to close the facility for a period to convert the facility to support its new use. The incoming operator will be required to communicate with, and involve, the local community during this works phase.
Consultation Carried Out	
18.	An extensive consultation process has been undertaken to seek views regarding the future of the Centre. This consultation ran between 23 rd July and 8 th September 2019.
198.	This consultation included the following methods:- <ul style="list-style-type: none"> • A questionnaire was created to seek feedback and this was made available on the Council's website consultation page; • Notices were displayed in the Centre; • SU have shared the information with their customers; • The notice was also sent to local community groups and • The Council's Community Engagement Officer engaged with the local community receiving feedback while encouraging the submission of views from local community groups, organisations and individuals. • The Daily Echo promoted the consultation.
20.	A total of 343 questionnaires were completed. The key question asked was to determine to what extent respondents agreed or disagreed with the proposal to create a community hub within the building. The result was that 83% of respondents agreed, 8% answered neither and 9% disagreed.
21.	A question was asked to determine why respondents were interested in this consultation. The results were:- <ul style="list-style-type: none"> • 277 said 'as a resident of Southampton'. • 58 said 'as a current users of St Mary's Leisure Centre'. • 46 said 'as a community group or association'. • 32 said 'as a resident elsewhere in Hampshire'. • 22 said 'other'. • 18 said 'as a business or organisation'. • 14 said 'as an employee of Southampton City Council'. • 11 said 'as a political member'.

22.	The top five locations to take part were:- <ol style="list-style-type: none"> 1. 19% - Bevois Ward. 2. 12% Outside Southampton. 3. 10% Freemantle Ward. 4. 9% Bargate Ward. 8% Shirley Ward.
23.	Many comments were received on how to use the space in the future. The top 5 results were:- <ol style="list-style-type: none"> 1. 139 stated for Sports and wellbeing use. 2. 114 for Community driven use. 3. 62 asked for focus on the young generation (youth, children & families). 4. 43 asked for the facilities or purpose to not change. 5. 41 asked for the use to be for arts and culture.
24.	The results of the consultation represent a strong endorsement of the approach recommended in this report. The headline proposal is supported by 83% of respondents and the proposed approach enables – subject to bids – four of the top five proposed uses of the space in future to be achieved.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
25.	The Council's financial and commercial assumptions are contained within confidential Appendix 1.
<u>Property/Other</u>	
26.	The Council's assumptions regarding property implications are contained within confidential Appendix 1.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
27.	The Council's powers to dispose of land are contained in Section 123 Local Government Act 1972 and Section 1 Localism Act 2011.
28.	This matter primarily concerns the disposal of land and is therefore unlikely to be considered subject to the law of public procurement. Even if the letting of the contract proposed to be granted to the operator alongside the lease were a standalone procurement, because it involves the setting up of a services concession arrangement it would not be caught by the Public Contracts Regulations 2015 and its value is below the threshold for it to be caught by the Concession Contracts Regulations 2016.
<u>Other Legal Implications:</u>	
29.	The bids and resulting land transfer will be required to be fully compliant with the Equalities Act 2010 including the positive duty to exercise the Council's functions having regard to the need to promote equality of opportunity and eliminate discrimination and harassment for those having protected characteristics under the Equalities Act 2010. Further details are set out in the Equality and Safety Impact assessment accompanying this report.
RISK MANAGEMENT IMPLICATIONS	

30.	A risk register for the project has been developed. The key risk is that the Council's minimum requirements will not be met through the bidding process and that an operator cannot therefore be appointed. The approach to be adopted in these circumstances is contained in confidential Appendix 1.
POLICY FRAMEWORK IMPLICATIONS	
31.	The proposals are consistent with the Policy Framework.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	Bevois
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Confidential Appendix 1 - Commercial and Financial Considerations and Assumptions

Documents In Members' Rooms

1.	Equality Impact Assessment
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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.	None

Document is Confidential

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