

Public Document Pack

Overview and Scrutiny Management Committee

Thursday, 10th August, 2023
at 5.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber, Civic Centre,
Southampton

This meeting is open to the public

Members

Councillor Blackman (Chair)
Councillor Y Frampton
Councillor Galton
Councillor Moulton
Councillor Dr Paffey
Councillor Quadir
Councillor Every
Councillor Lambert
Councillor Greenhalgh

Appointed Members

Catherine Hobbs, Roman Catholic Church
Francis Otieno, Primary Parent Governor
Rob Sanders, Church of England

Contacts

Emily Goodwin
Democratic Support Officer
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Mark Pirnie
Scrutiny Manager
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PUBLIC INFORMATION

Overview and Scrutiny Management Committee

The Overview and Scrutiny Management Committee holds the Executive to account, exercises the call-in process, and sets and monitors standards for scrutiny. It formulates a programme of scrutiny inquiries and appoints Scrutiny Panels to undertake them. Members of the Executive cannot serve on this Committee.

Role of Overview and Scrutiny

Overview and Scrutiny includes the following three functions:

- Holding the Executive to account by questioning and evaluating the Executive's actions, both before and after decisions taken.
- Developing and reviewing Council policies, including the Policy Framework and Budget Strategy.
- Making reports and recommendations on any aspect of Council business and other matters that affect the City and its citizens.

Overview and Scrutiny can ask the Executive to reconsider a decision, but they do not have the power to change the decision themselves.

Southampton: Corporate Plan 2022-2030 sets out the four key outcomes:

- Communities, culture & homes - Celebrating the diversity of cultures within Southampton; enhancing our cultural and historical offer and using these to help transform our communities.
- Green City - Providing a sustainable, clean, healthy and safe environment for everyone. Nurturing green spaces and embracing our waterfront.
- Place shaping - Delivering a city for future generations. Using data, insight and vision to meet the current and future needs of the city.
- Wellbeing - Start well, live well, age well, die well; working with other partners and other services to make sure that customers get the right help at the right time

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.

Access is available for disabled people.

Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Fire Procedure: -

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

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.

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

Dates of Meetings for the Municipal Year:

2023	2024
10 August	11 January
9 September	01 February
12 October	07 March
9 November	11 April
14 December	

CONDUCT OF MEETING

TERMS OF REFERENCE

The general role and terms of reference for the Overview and Scrutiny Management Committee, together with those for all Scrutiny Panels, are set out in Part 2 (Article 6) of the Council’s Constitution, and their particular roles are set out in Part 4 (Overview and Scrutiny Procedure Rules – paragraph 5) of the Constitution.

RULES OF PROCEDURE

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

BUSINESS TO BE DISCUSSED

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

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 4.

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 public authority or body exercising functions of a public nature
- Any body directed to charitable purposes
- Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

To note any changes in membership of the Panel made in accordance with Council Procedure Rule 4.3.

2 ELECTION OF VICE-CHAIR

To elect the Vice Chair for the Municipal Year 2023/24.

3 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.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

4 DECLARATIONS OF SCRUTINY INTEREST

Members are invited to declare any prior participation in any decision taken by a Committee, Sub-Committee, or Panel of the Council on the agenda and being scrutinised at this meeting.

5 DECLARATION OF PARTY POLITICAL WHIP

Members are invited to declare the application of any party political whip on any matter on the agenda and being scrutinised at this meeting.

6 STATEMENT FROM THE CHAIR

7 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)

(Pages 1 - 4)

To approve and sign as a correct record the Minutes of the meetings held on 13 July 2023 and to deal with any matters arising, attached.

8 CONSIDERATION FOR THE FUTURE OF HOLCROFT HOUSE

(Pages 5 - 10)

Report of the Scrutiny Manager recommending that the Committee discuss the information contained within the appended briefing paper and, subject to agreement, provide feedback to the consultation process to be considered by the Executive when reaching a decision on the future of Holcroft House.

9 COUNCIL PERFORMANCE SCORECARD

(Pages 11 - 16)

Report of the Leader and Chief Executive providing the Committee with an overview of the Council's performance up to end of June 2023.

10 FORWARD PLAN - REVENUE AND CAPITAL FINANCIAL MONITORING

(Pages 17 - 94)

Report of the Scrutiny Manager enabling the Overview and Scrutiny Management Committee to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive.

11 SCRUTINY INQUIRY 2023/24 - SHORTLIST

(Pages 95 - 98)

Report of the Scrutiny Manager asking that the Committee consider the shortlisted subjects and identify a preferred topic for the 2023/24 scrutiny inquiry.

12 MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE

(Pages 99 - 104)

Report of the Scrutiny Manager enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.

Wednesday, 2 August 2023

Director – Legal, Governance and HR

SOUTHAMPTON CITY COUNCIL
OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
MINUTES OF THE MEETING HELD ON 13 JULY 2023

Present: Councillors Blackman (Chair), Letts (Vice-Chair), Y Frampton, Galton and Evely

Apologies: Councillors Moulton, Dr Paffey, Quadir and Rayment

Also in attendance: Councillor Fielker, Deputy Leader and Cabinet Member for Adults, Housing and Health
Councillor Keogh – Cabinet Member for Environment and Transport

7. **APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)**

It was noted that following receipt of the temporary resignations of Councillors Dr Paffey, Quadir, Rayment and Moulton from the Committee, the Director of Legal, Governance and HR, acting under delegated powers, had appointed Councillors Windle, Kenny, M Bunday and Fitzhenry to replace them for the purposes of this meeting.

8. **MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED that the minutes of the Committee meeting held on 8th June, 2023 be approved and signed as a correct record.

9. **FORWARD PLAN - MEDIUM TERM FINANCIAL STRATEGY UPDATE**

The Committee considered the report of the Executive Director, Corporate Services enabling the Overview and Scrutiny Management Committee to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive.

Councillor Fielker, Deputy Leader and Cabinet Member for Adults, Housing and Health, Mike Harris Chief Executive, Mel Creighton Executive Director, Corporate Services and Steve Harrison Head of Financial Planning and Management were in attendance and with the consent of the Chair addressed the Committee with regards to the Medium Term Financial Strategy Update report.

RESOLVED:

- i) That the monthly budget report that was being prepared for Cabinet was shared with the OSMC Chair.
- ii) That, whilst recognising the requirement for timely action, the Executive commits to ensuring transparency and openness in the budget decision making process moving forward.
- iii) That this Committee coordinates activity with the Governance Committee to ensure effective oversight and reduce unnecessary duplication.
- iv) That, to support member oversight, local government finance training was offered to all councillors, and workshops were organised for members to discuss ongoing financial issues.

- v) That a visit was undertaken by the Executive to Portsmouth City Council to understand how they had managed to maintain spending levels at an affordable level.
- vi) That the revised CIPFA report was shared with the Committee when it was available.
- vii) That, to increase the sum of money owed to the Authority that was paid on time and in full, the Executive reviews the Council's charging, collection and debt management processes.
- viii) That the Executive reviews the Council's charging policy and that the review was informed by comparisons with Southampton's statistical neighbour authorities.
- ix) That, to support the funding of essential transformation activity, the Executive ensured that the Council's Asset Register was kept up to date to enable the efficient disposal of the most appropriate assets.
- x) That, reflecting the significant increase in the number of people employed by the City Council over recent years, the Committee was provided with a breakdown of staff numbers, by service area, over the past 5+ years, alongside relevant supporting information.
- xi) That, to improve outcomes and value from procurement activity, consideration was given to:
 - Identifying opportunities to streamline the Council's procurement processes.
 - Extracting additional value by combining similar individual capital project procurement activity into larger, single tender processes; and
 - Merging the Council's two procurement teams into a single entity.
- xii) That the Deputy Leader circulates to the Committee the Labour Party's 2023 Southampton City Council election manifesto to develop understanding of the Administration's priorities.

10. **ACCESSIBLE SOUTHAMPTON INQUIRY - PROGRESS UPDATE**

The Committee considered the report of the Executive Director, Corporate Services detailing the Accessible Southampton Inquiry progress update.

Councillor Keogh, Cabinet Member for Environment and Transport and Wade Homes Service Manager Integrated Transport were present and with the consent of the Chair addressed the meeting.

Ian Loynes, Chief Executive of Spectrum CIL was also in attendance.

RESOLVED:

- i) That, to raise awareness amongst disabled people in Southampton, the Executive considers how the Council communicates the changes that had been made, or are planned, to enhance the accessibility of Southampton.
- ii) That, in lieu of an Access Officer being employed, consideration was given by the Executive to nominating an Accessibility Champion to promote and co-ordinate the Council's accessibility ambitions.

- iii) That the Executive reviews the Outdoor Sports Centre investment project with a view to identifying funding to support the drive to improve the accessibility of Southampton's built environment.
- iv) That, in recognition of the limited detail contained within the briefing paper on this issue, the Scrutiny Manager contacts the responsible officer and requests an update on the approved inquiry recommendations that relate to the Council's communications and information standards.

11. **MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE**

The Committee considered and noted the report of the Executive Director, Corporate Services, enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.

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Agenda Item 8

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	CONSIDERATION FOR THE FUTURE OF HOLCROFT HOUSE		
DATE OF DECISION:	10 AUGUST 2023		
REPORT OF:	SCRUTINY MANAGER		
<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director – Corporate Services	
	Name:	Mel Creighton	Tel: 023 8083 3528
	E-mail	Mel.creighton@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
	E-mail	Mark.pirnie@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
Attached as Appendix 1 is a briefing paper informing the Committee that the Council is consulting on proposals to consider the future of Holcroft House, a 34-bedroom residential home in Thornhill that provides short and long term care for adults living with dementia. The consultation is running between 1 st June 2023 – 23 rd August 2023.			
RECOMMENDATIONS:			
	(i)	That the Committee discuss the information contained within the appended briefing paper and, subject to agreement, provide feedback to the consultation process to be considered by the Executive when reaching a decision on the future of Holcroft House.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To enable the Committee to contribute to the consultation process.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None.		
DETAIL (Including consultation carried out)			
3.	The future of Holcroft House is currently subject to consultation. At the request of the Chair, to enable the Committee to contribute to the consultation, attached as Appendix 1 is a briefing paper providing an overview of the proposal and the consultation process.		
4.	The Committee are requested to use the briefing paper to discuss the proposal with the Cabinet Member and officers and, subject to the agreement of the Committee, provide feedback to the consultation process on the future of the residential home for adults living with dementia.		

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
5.	Details will be set out in the Executive decision-making report issued prior to the decision being taken.
<u>Property/Other</u>	
6.	Details will be set out in the Executive decision-making report issued prior to the decision being taken.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
8.	Details will be set out in the Executive decision-making report issued prior to the decision being taken.
RISK MANAGEMENT IMPLICATIONS	
9.	Details will be set out in the Executive decision-making report issued prior to the decision being taken.
POLICY FRAMEWORK IMPLICATIONS	
10.	Details will be set out in the Executive decision making report issued prior to the decision being taken.
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Briefing Paper – Consideration for the future of Holcroft House
Documents In Members’ Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	To be identified in Executive report
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	To be identified in Executive report
Other Background Documents	

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

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

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BRIEFING PAPER

SUBJECT: CONSIDERATION FOR THE FUTURE OF HOLCROFT HOUSE
DATE: 10 AUGUST 2023
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

The council is consulting on proposals to consider the future of Holcroft House. The consultation is running between 1st June 2023 – 23rd August 2023.

The consultation can be found at:

<https://www.southampton.gov.uk/council-democracy/have-your-say/holcroft-house-consultation/>

BACKGROUND and BRIEFING DETAILS:

1. Holcroft House is a 34-bedroom residential home providing short and long term care for adults living with dementia. There are currently 14 long stay residents and 4 that have been placed there temporarily.
2. A Fire Safety Assessment (FSA) has identified several issues that will need addressing at Holcroft House whereby residents will need to relocate for the duration of works (18 months).
3. The Fire Service have agreed the building is safe in the short term, but these works are required in order for the building to remain open in the long term.
4. Due to the level of work required to rectify issues highlighted within the fire safety assessment we would need to relocate residents from Holcroft House to ensure their safety and well-being throughout the proposed works. This may mean that some individuals would be moved multiple times throughout the proposed 18 months of works. This in turn may present as a significant challenge for many residents due to their dementia and associated needs. The proposal is therefore to close Holcroft House and support residents in relocating to long term alternative accommodation.
5. The process would ensure consultation with families, residents, advocates and stakeholders where necessary. The review process would identify suitable placements to meet the needs of the resident. We would also ensure friendship groups are maintained as far as possible. Planning for the home closure would take into account the assessed needs of every individual resident of the home and how these can best be met in the future. Each individuals' rights under relevant legislation would be ensured.

BRIEFING PAPER

6. There are vacancies within the care homes that are CQC registered with dementia care within the city.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

Resources

7. There are 52 Members of staff. All have been offered voluntary redundancy with a deferred review date subject to a decision. Redeployment opportunities will be available subject to the outcome.

Policy

8. There are no policy implications at this time.

Financial

9. To be considered once a decision has been made.

Legal Implications

10. To be considered once a decision is made. Due diligence will be applied to the process once a decision is made.

OPTIONS and TIMESCALES:

11. Options will be considered once the public consultation is complete. Public and staff consultation has started. Group meetings have been held with families and carers and individual meetings have been offered. There is a closure timetable that can be enacted should the decision be to close.

RISK MANAGEMENT IMPLICATIONS

12. Papers that will be provided to Cabinet on 19th September will include relevant risk and impact assessments.

Appendices/Supporting Information:

N/A

Further Information Available From:	Name:	Vernon Nosal – Director of Operations, Adult Social Care
	Tel:	023 8254 5600
	E-mail:	vernon.nosal@southampton.gov.uk

Agenda Item 9

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
SUBJECT:	COUNCIL PERFORMANCE REPORT
DATE OF DECISION:	10 AUGUST 2023
REPORT OF:	CHIEF EXECUTIVE

<u>CONTACT DETAILS</u>			
Executive Director	Title	Chief Executive	
	Name:	Mike Harris	Tel: 023 8083 2882
	E-mail	Mike.harris@southampton.gov.uk	
Author:	Title	Strategy & Performance Director	
	Name:	Munira Holloway	Tel: 023 8083 4476
	E-mail	Munira.holloway@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
<p>Cabinet approved the latest version of the Corporate Plan in November 2022. In order to assess progress against the aims set out in that plan it is appropriate to consider progress against a range of measures. The performance report linked within the paper shows a set of measures that have been identified as key indicators of council performance, measures used as regular Management Information and measures recently published by the newly established Office of Local Government (OfLOG)</p> <p>The report is a 'live' document capable of further processing in a digital format, not easily translated into a hard printable copy.</p>	
RECOMMENDATIONS:	
	(i) To note the proposed measures approach for performance reporting
	(ii) To agree the approach for performance reporting going forwards
REASONS FOR REPORT RECOMMENDATIONS	
1.	In order for the Committee to note the approach to defining the measures in the report and to guide future presentation of performance.
2.	To enable committee members to understand how to best use the online tool, and for the navigation of the performance report to be explained and understood.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	Not to provide the committee with the performance report, not considered an appropriate course of action
DETAIL (Including consultation carried out)	

4	Whilst by no means exhaustive, the measures are reflective of key areas of performance across the Council. They cover the metrics outlined in the Council's Corporate Plan 2022-30 and the newly outlined Oflog measures of council performance.
5.	The full performance report is available through the following link Corporate Performance Report - Power BI A summary of the measures is outlined in Appendix 1.
6.	The indicators are being developed through the data team in discussion with Directors/Heads of Service, Executive Directors and Cabinet Members.
7.	The performance report will be developed iteratively, and where available, baseline data has been shown, this will continue to be evolved.
8.	The 'measures' tab shows the currently agreed indicators, frequency of reporting, whether they are covered by Oflog or the Corporate Plan, and the previous and current data. Also shown is direction of travel and preferred direction of travel.
9.	The data can be filtered by Directorate and by area within the Directorate to amend the amount of data viewed on the page.
10.	The 'trends' tab shows the trend on a particular measure, and benchmarking information where available. For some measures we do not hold enough data to show the trend, these will be developed as time progresses.
11.	At this point targets have not all been agreed, although this will follow within the next quarter as further benchmarking data is assessed and the report updated accordingly.
12.	The performance report includes measures that are significantly and/or directly impacted by the activities of the council in the short term, as well as measures that are important for the city to achieve but which are long term and impacted on by much wider systems.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
13	None as a direct result of this report.
<u>Property/Other</u>	
14	None as a direct result of this report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
15	S.1 Localism Act 2011, S.111 Local Government Act 1972.
<u>Other Legal Implications:</u>	
16	None
RISK MANAGEMENT IMPLICATIONS	
17	The delivery or achievement of key council objectives will impact on the management of risk in the council. Those risks will be reflected in project, directorate or strategic risk registers.
POLICY FRAMEWORK IMPLICATIONS	

18	This report is assessing the delivery of key council performance measures, many of which are part of Policy Framework strategies and plans.
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KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Corporate performance measures

Documents In Members' Rooms

1.	None
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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?	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)
1.	Corporate Plan - Southampton City Council Corporate Plan 2022/30

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Agenda Item 9

Appendix 1

Indicator Description	Area	Frequency	Oflog	Corporate plan	Latest	Previous	Change	DoT	Preferred DoT
% of contacts with an outcome of Request for Telecare, Housing Adaptations Required or Reablement Intervention Required	Adult Social Care	Monthly	No	No	6.18	7.09	-0.91	▼	Higher is better
% of FSM Eligible Pupils	Education	Termly	No	No	35.10	34.40	0.70	▲	Lower is better
1c(2a): Proportion of people who use services who receive direct payments	Adult Social Care	Monthly	No	No	13.34	13.39	-0.05	▼	Higher is better
2A(1): Long-term support needs of younger adults (aged 18-64) met by admission to residential and nursing care homes	Adult Social Care	Monthly	No	No	3.59	1.80	1.79	▲	Lower is better
2A(2): Long-term support needs of older adults (aged 65 and over) met by admission to residential and nursing care homes	Adult Social Care	Monthly	No	No	182.47	150.10	32.37	▲	Lower is better
Alcohol specific mortality (all ages) per 100,000	Public Health	Quarterly	No	Yes	21.29	19.65	1.64	▲	Lower is better
ASST-2: Proportion of people with eligible long term services reviewed during the past 12 months	Adult Social Care	Monthly	No	No	62.57	59.95	2.62	▲	Higher is better
Domestic abuse rate	Communities	Annual	No	No	22.90	18.90	4.00	▲	Lower is better
Economic growth measured by GVA per head	Economic Development	Annual	No	Yes	27,371.00	25,481.00	1,890.00	▲	Higher is better
Employment rate (aged 16-64)	Economic Development	Annual	No	Yes	76.10	74.20	1.90	▲	Higher is better
EYFSP - Good Level of Development	Education	Annual	No	No	61.80	71.10	-9.30	▼	Higher is better
Gap in life expectancy between most and least deprived (Females)	Public Health	Quarterly	No	No	4.35	3.91	0.44	▲	Lower is better
Gap in life expectancy between most and least deprived (Males)	Public Health	Quarterly	No	No	5.94	5.33	0.61	▲	Lower is better
Gap in median weekly pay between residents and workers	Economic Development	Annual	No	No	37.00	36.00	1.00	▲	Lower is better
Hate crime rate	Communities	Annual	No	No	4.71	3.77	0.94	▲	Lower is better
Healthy life expectancy at birth (female)	Public Health	Annual	No	Yes	65.34	63.05	2.29	▲	Higher is better
Healthy life expectancy at birth (male)	Public Health	Annual	No	Yes	62.33	61.35	0.98	▲	Higher is better
Household waste (NI 191) KG per Household	Environment	Quarterly	No	No	140.42	143.94	-3.52	▼	Lower is better
Key Stage 2 - Reading Writing & Maths Combined at the Expected Standard	Education	Annual	No	No	53.00	64.00	-11.00	▼	Higher is better
Key Stage 4 - Attainment 8 Points Score	Education	Annual	No	No	46.10	46.20	-0.10	▼	Higher is better
Life Expectancy (Females)	Public Health	Quarterly	No	No	82.22	82.33	-0.11	▼	Higher is better
Life Expectancy (Males)	Public Health	Quarterly	No	No	77.45	77.54	-0.10	▼	Higher is better
Loss of income from voids	Housing	Monthly	No	No	167,400.00	209,149.00	-41,749.00	▼	Lower is better
N5: Proportion of completed safeguarding enquiries where the Adult at Risk achieved their desired outcomes	Adult Social Care	Monthly	No	No	61.54	48.28	13.26	▲	Higher is better
Number of Contacts received to Contact Centre and ASC Connect	Adult Social Care	Monthly	No	No	3,577.00	2,302.00	1,275.00	▲	Lower is better
Number of days lost per employee to sickness absence	HR	Monthly	No	Yes	9.11	9.25	-0.14	▼	Lower is better
Number of New Care Act Assessments completed (excluding terminated assessments, unplanned reviews and planned reviews)	Adult Social Care	Monthly	No	No	191.00	136.00	55.00	▲	Lower is better
Number of properties that are non-decent due to Housing Health and Safety Rating System	Housing	Quarterly	No	No	76.00	50.00	26.00	▲	Lower is better
Number of reported fly tipping incidents (per 1,000 population)	Environment	Annual	No	Yes	40.44	39.47	0.97	▲	Lower is better
Overall Absence	Education	Termly	No	No	8.10	8.10	0.00	►	Lower is better
Percentage of 16-17-year-olds not in education, employment or training (NEET)	Education	Annual	No	Yes	3.80	4.40	-0.60	▼	Lower is better
Percentage of all repair jobs completed on time across SCC homes (emergency, urgent, routine)	Housing	Quarterly	No	No	57.71	62.90	-5.19	▼	Higher is better
Percentage of business survival over two years	Economic Development	Annual	No	Yes	72.25	74.58	-2.32	▼	Higher is better
Percentage of call centre customers rating service levels as good	Customer	Monthly	No	No	92.29	93.23	-0.94	▼	Higher is better
Percentage of care leavers 19-21 in Education, Employment or Training	Children's Social Care	Monthly	No	Yes	94.00	94.00	0.00	►	Higher is better
Percentage of care leavers in suitable accommodation on their 19th to 21st Birthday	Children's Social Care	Monthly	No	Yes	78.36	80.12	-1.76	▼	Higher is better
Percentage of children in Year 6 with excess weight	Public Health	Annual	No	Yes	39.77	37.58	2.19	▲	Lower is better
Percentage of children in Year R with excess weight	Public Health	Annual	No	Yes	22.36	24.07	-1.71	▼	Lower is better
Percentage of customer who are very satisfied or fairly satisfied that the council provides value for money	Customer	Biennial	No	Yes	51.00	43.00	8.00	▲	Higher is better
Percentage of customer who are very satisfied or fairly satisfied with the way the council runs things	Customer	Biennial	No	Yes	68.00	50.00	18.00	▲	Higher is better
Percentage of economically active population with no or low qualifications (NVQ)	Economic Development	Annual	No	Yes	11.92	10.91	1.00	▲	Lower is better
Percentage of household waste sent for recycling (NI 192)	Environment	Quarterly	Yes	Yes	28.45	27.44	1.02	▲	Higher is better
Percentage of people who are satisfied with their local area as a place to live	Environment	Biennial	No	Yes	85.00	78.00	7.00	▲	Higher is better
Percentage of people with eligible needs supported to live independently	Adult Social Care	Monthly	No	Yes	71.98	71.83	0.15	▲	Higher is better
Percentage of pupils achieving a grade 5 or above in GCSE English & Maths	Education	Annual	No	Yes	42.10	41.80	0.30	▲	Higher is better
Percentage of SCC homes that meet the decent homes standard	Housing	Quarterly	No	No	58.80			►	Higher is better
Percentage of scheduled bins collected	Environment	Monthly	No	No	99.68	99.52	0.15	▲	Higher is better
Percentage of working age adults claiming out of work benefits	Economic Development	Monthly	No	No	4.00	4.10	-0.10	▼	Lower is better
Persistently Absent (10%)	Education	Termly	No	No	26.75	24.15	2.60	▲	Lower is better
Physically active adults	Public Health	Annual	No	Yes	65.89	64.78	1.11	▲	Higher is better
Proportion of CO grade employees who are female	HR	Quarterly	No	No	52.38	69.23	-16.85	▼	N/A
Proportion of employees from a minority ethnic group	HR	Quarterly	No	No	15.93	15.19	0.74	▲	N/A
Rate of Children In Need (per 10,000)	Children's Social Care	Monthly	No	No	663.25	673.18	-9.93	▼	Lower is better
Rate of Children subject to Child Protection Plan (per 10,000)	Children's Social Care	Monthly	No	No	71.17	71.98	-0.81	▼	Lower is better
Rate of First Time Entrants into Youth Justice	Children's Social Care	Annual	No	No	189.00	188.00	1.00	▲	Lower is better
Rate of Looked After Children (per 10,000)	Children's Social Care	Monthly	No	Yes	105.03	104.83	0.20	▲	Lower is better

Indicator Description	Area	Frequency	Oflog	Corporate plan	Latest	Previous	Change	DoT	Preferred DoT
Smoking levels in adults	Public Health	Annual	No	Yes	13.03	13.77	-0.74	▼	Lower is better
Total major development decisions on time	Planning	Percentage	No	No	100.00	100.00	0.00	►	Higher is better
Total minor and other development decisions on time	Planning	Percentage	No	No	97.67	96.30	1.37	▲	Higher is better
Smoking levels in adults	Public Health	Annual	No	Yes	13.03	13.77	-0.74	▼	Lower is better
Total major development decisions on time	Planning	Percentage	No	No	100.00	100.00	0.00	►	Higher is better
Total minor and other development decisions on time	Planning	Percentage	No	No	97.67	96.30	1.37	▲	Higher is better
Violent Crime rate	Communities	Annual	No	No	57.86	44.07	13.79	▲	Lower is better
Waste sent to landfill (NI 193) %	Environment	Quarterly	Yes	No	3.66	4.53	-0.88	▼	Lower is better
(ASC) Staff turnover in the workforce (The proportion of directly employed staff in the formal care workforce leaving their role in the past 12 months)	Adult Social Care	TBC	Yes	No				►	TBC
Contamination rate of recycling - calculated as estimated proportion that is rejected of total amount of household waste sent for recycling.	Environment	TBC	Yes	No				►	TBC
Council tax revenue per dwelling.	Finance	TBC	Yes	No				►	TBC
Debt servicing as % of Core Spending Power.	Finance	TBC	Yes	No				►	TBC
Level of Band D council tax rates.	Finance	TBC	Yes	No				►	TBC
Quality of life of carers (1C in the ASCOF Formerly 1D).	Adult Social Care	TBC	Yes	No				►	TBC
Quality of life of people who use services - adjusted to account only for the additional impact of local-authority funded social care on quality of life, removing non-service-related factors (underlying health and care needs, gender, and so on) (1B in the ASCOF formerly 1J).	Adult Social Care	TBC	Yes	No				►	TBC
Reserves as a percentage of Net Revenue Expenditure.	Finance	TBC	Yes	No				►	TBC
Reserves as a percentage of service spend.	Finance	TBC	Yes	No				►	TBC
Social care spend as % of Core Spending Power.	Finance	TBC	Yes	No				►	TBC
The proportion of carers who find it easy to find information about support (3D (2) in the ASCOF) – to be combined with 4 from 2024. 3C (formerly 3D1 and 3D2)	Adult Social Care	TBC	Yes	No				►	TBC
The proportion of people who received short-term services during the year – who previously were not receiving services – where no further request was made for ongoing support (2A in ASCOF formerly 2D).	Adult Social Care	TBC	Yes	No				►	TBC
The proportion of people who use services who find it easy to find information about services (3D (1) in the ASCOF) – to be combined with 5 from 2024.	Adult Social Care	TBC	Yes	No				►	TBC
The proportion of requests for support to the LA which result in a service multiplied by the number of requests per 100,000 population.	Adult Social Care	TBC	Yes	No				►	TBC
Total Core Spending Power per dwelling.	Finance	TBC	Yes	No				►	TBC
Total debt as % of Core Spending Power.	Finance	TBC	Yes	No				►	TBC
19+ Further Education and Skills Achievements per 100,000 population – excluding apprenticeships.	Economic Development	TBC	Yes	No				►	Higher is better
19+ Further Education and Skills Achievements per 100,000 population – including apprenticeships.	Economic Development	TBC	Yes	No				►	Higher is better
Proportion of the adult population aged 16-64 with level 3+ qualification.	Economic Development	TBC	Yes	No				►	Higher is better

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	FORWARD PLAN		
DATE OF DECISION:	10 AUGUST 2023		
REPORT OF:	SCRUTINY MANAGER		
<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director – Corporate Services	
	Name:	Mel Creighton	Tel: 023 8083 3528
	E-mail	Mel.creighton@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
	E-mail	Mark.pirnie@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
This item enables the Overview and Scrutiny Management Committee (OSMC) to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive to ensure that forthcoming decisions made by the Executive benefit local residents.			
RECOMMENDATIONS:			
	(i)	That the Committee discuss the items listed in paragraph 3 of the report to highlight any matters which Members feel should be taken into account by the Executive when reaching a decision.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To enable Members to identify any matters which they feel Cabinet should take into account when reaching a decision.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None.		
DETAIL (Including consultation carried out)			
3.	The Council's Forward Plan for Executive Decisions from 15 August 2023 has been published. The following issues were identified for discussion with the Decision Maker:		
	Portfolio	Decision	Requested By
	Finance & Change	Revenue financial monitoring report to the end of June 2023	Cllr Blackman
	Finance & Change	Capital financial monitoring report to the end of June 2023	Cllr Blackman

4.	Briefing papers responding to the items identified by members of the Committee are appended to this report. Members are invited to use the papers to explore the issues with the decision maker.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
5.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<u>Property/Other</u>	
6.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
8.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
RISK MANAGEMENT IMPLICATIONS	
9.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
POLICY FRAMEWORK IMPLICATIONS	
10.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Briefing Paper – Revenue financial monitoring report to the end of June 2023
2.	Briefing Paper – Capital financial monitoring report to the end of June 2023
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	Identified in Executive report
Data Protection Impact Assessment	

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?		Identified in Executive report
Other Background Documents Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	

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BRIEFING PAPER

SUBJECT: REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2023

DATE: 10 AUGUST 2023

RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

The report to be considered at the 15 August meeting of Cabinet summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the council as at the end of June 2023.

The current forecast General Revenue Fund deficit for the year is £20.91M. This is after taking account of £9.08M agreed in-year cost control measures. The forecast is based on the worst case scenario for expenditure pressures on the budget.

The most significant forecast deficits are for the Children & Learning directorate (£8.93M) and the Wellbeing & Housing directorate (£6.43M).

The MTFs Update report to Cabinet and Council in July set out the financial strategy adopted including actions being taken to reduce expenditure to within budget for 2023/24 and to achieve a sustainable budget for future years.

A considerable amount of further cost control measures need to be found alongside the delivery of savings. Work is continuing at pace on delivery plans for further cost control measures that have been identified to help with the forecast in-year deficit for 2023/24 and on developing additional proposals to assist in meeting the future budget shortfalls.

BACKGROUND and BRIEFING DETAILS:

Revenue Financial Position

1. The current forecast spending against the council's net General Fund revenue budget for the year is projected to be a deficit of £20.91M after taking account of £9.08M agreed in-year cost control measures. The forecast is based on the worst case scenario for expenditure pressures on the budget, with demand led pressures in particular being subject to some uncertainty. The position is summarised in Table 1.
2. Children & Learning has the most significant adverse variance and is forecast to be in deficit by £8.93M (14.0%). The biggest elements within this are Home to School Transport (£4.43M), with a sharp increase in the unit costs for transport as well as increased numbers of eligible pupils, and Children Looked After (£2.45M) relating to demand pressures on placement spend.
3. The forecast deficit for Wellbeing & Housing is £6.43M (7.0%), primarily relating to Adults Long-Term (£5.40M), due to a forecast increase in client numbers and higher costs for care packages.

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Table 1 – General Revenue Fund Forecast 2023/24

	Budget Qtr 1 £M	Annual Forecast Qtr 1 £M	Forecast Variance Qtr 1 £M
Children & Learning	63.63	72.56	8.93 A
Corporate Services	38.94	41.83	2.89 A
Place	28.45	31.10	2.65 A
Strategy & Performance and CEO	3.72	3.79	0.07 A
Wellbeing & Housing	91.89	98.32	6.43 A
Total Directorates	226.63	247.58	20.96 A
Centrally Held Budgets	(5.11)	(5.15)	0.04 F
Net Revenue Expenditure	221.52	242.44	20.91 A
Financing	(221.52)	(221.52)	0.00
(Surplus) / Deficit for the year	0.00	20.91	20.91 A

Numbers are rounded

4. Corporate Services has a forecast deficit of £2.89M (7.4%), of which £2.06M relates to IT Services.
5. The forecast deficit for Place is £2.65M (9.3%), with Planning (£0.64M) being the largest adverse variance.
6. Strategy & Performance and the Chief Executive's Office (CEO) has a forecast deficit of £0.07M (1.8%).
7. More detail, including explanations of significant variances as at quarter 1 (in excess of £0.2M) is provided in Annex 1.
8. As there is some uncertainty impacting on the forecast budget deficits, CIPFA (the Chartered Institute of Public Finance and Accountancy) are undertaking a review of the forecasts to provide external validation.
9. With increased in-year pressures identified, work to achieve a balanced position in the current financial year is on-going. Work is continuing on delivery plans for further cost control measures that have been identified and on developing additional proposals to assist in meeting the budget shortfall. This sits alongside tightening of budgetary control, including the operation of the Cost Control Panel in taking spending decisions.

Implementation of Savings Plans

10. £32.57M of directorate savings plans have been agreed for 2023/24, £23.68M agreed in February 2023 or relating to savings proposals approved in earlier years but not yet delivered and £8.88M of directorate in-year cost control measures approved by Council in July 2023. £29.43M (90%) have been achieved or are on track to be achieved before the end of this financial year. The balance of £3.14M (10%) are currently not forecast to be achieved and are included in the adverse variances reported for directorates. These represent a risk until all management actions required to deliver

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the savings are complete. A full list of all directorate savings for 2023/24 and their achievability status is provided in Annex 2.

Treasury Management

11. Treasury Management borrowing and investment balances as at 30 June 2023 and forecasts for the year-end are set out in Appendix 3. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net debt is expected to increase by £88.82M to £394.55M as at 31 March 2024. This is likely to change throughout the year subject to changes to the capital programme, interest rates and use of balances.
12. The forecast cost of financing the council's loan debt is £21.92M of which £6.37M relates to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.
13. There has been a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. In this quarter, the Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of June. Gilt yields have also faced upward pressure and consequently PWLB borrowing rates continued to rise over the quarter. The council doesn't currently hold any short term debt, however short term borrowing before year end is anticipated. Any borrowing will be done in consultation with the Council's treasury management advisors.
14. Treasury management investments are primarily made to manage day-to-day cash flows using short-term low risk instruments. The council's investment balances as at 30 June 2023 were £51.73M and are expected to reduce to £48M by year end.
15. Annex 3 includes an overview of current performance along with an update on the financial outlook.

Prudential Indicators

16. The council is required to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much it can afford to borrow. The Prudential Code includes a series of indicators to demonstrate the objectives of the Code are being fulfilled. It is now a requirement of the Prudential Code that these are reported on a quarterly basis. The council has operated within the limits set by the prudential indicators for the period to 30 June 2023.
17. The prudential indicators include the ratio of financing costs to net revenue stream as a measure of the affordability of the capital programme. When the Treasury Strategy was set in February 2023 the upper limit for this ratio was set at 15% but has been reduced to 11% as part of the MTFs Update report to Council in July 2023. This allows for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes, it includes the cost of long term liabilities but now excludes investment income in line with the revised code. The 2023/24 forecast for the General Fund is 10.13%.
18. The Department for Levelling Up, Housing and Communities (DLUHC) has policy responsibility for the Prudential Framework under which local authorities borrow and invest, and stewardship responsibility to ensure that the system is operating effectively. Changes have recently been made to strengthen the capital system and evidence indicates this has had a positive impact in reducing risk but recent financial failures have reiterated the importance of appropriate powers to address excessive risk

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in specific cases. In order to ensure that capital investment practices are prudent and compliant with the intent of the Prudential Framework, DLUHC have issued a consultation, "[Consultation on Local Government capital risk mitigation measures in the Levelling Up and Regeneration Bill: capital risk metrics](#)" which is open to 21 September 2023. We will report back any actions required as a result of this consultation.

Reserves and Balances

19. The General Fund Balance is currently £10.07M, which is 4.5% of the net revenue budget compared to a minimum level of 5% of net revenue expenditure recommended by CIPFA. If the forecast deficit is not brought down the balance would need to be used to meet it. This is not the advice or recommendation of the S151 Officer.
20. At the 31 March 2023, earmarked revenue reserves totalled £49.59M, plus Schools Balances totalling £5.46M. The estimated forecast position as at the 31 March 2024 (excluding Schools Balances) is £21.47M. The forecast £28.12M reduction for the year includes £20.62M planned use of reserves per the Medium Term Financial Strategy (MTFS) agreed in February 2023, release of £5.42M of revenue grants carried forward via reserves (including Public Health Grant) and forecast net drawdown of £1.23M from the On Street Parking Reserve to fund the capital programme.
21. Within the £21.47M total for earmarked revenue reserves, the forecast year-end balance for the Medium Term Financial Risk (MTFR) Reserve is £9.42M. This doesn't include any contribution towards the in-year deficit highlighted in paragraph 1. The reserve exists to provide cover for a variety of anticipated risks as set out in the financial risk register noted below and to provide financial resilience for the council. The forecast level of the reserve is not sufficient to provide cover for all of the risks identified and the MTFS Update reported to Council in July includes plans to bolster the reserve over the medium term.

Key Financial Risks

22. The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 4.

Schools

23. As at 30 June 2023 there were 13 schools forecasting a deficit balance totalling £3.7M which compares to deficits totalling £4.5M at the end of the last financial year (2022/23). There are 28 schools forecasting a surplus balance of £8.6M which compares to surpluses totalling £9.5M at the end of the last financial year. The net position is therefore a £4.1M surplus.
24. At the time of writing there are four schools in deficit working with the Executive Director for Children and Learning, and the finance team to finalise their deficit recovery plans (DRP). These are:
 - Hardmoor Nursery
 - Compass Alternative Provision
 - Townhill Junior
 - Mansbridge

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25. The current 3-year deficit recovery timetable for schools in deficit to get back to a balanced budget may be extended to 5 years if necessary, for schools that have experienced significant COVID-19 pressures.

Dedicated Schools Grant 2023/24

26. The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of June 2023 is a £9.4M cumulative deficit, an improvement of £0.7M from the £10.1M cumulative deficit as at 31 March 2023. The deficit is being driven primarily by the significant year on year increases in Education Health Care Plans (EHCPs) and with higher levels of needs in these plans. Whilst this reflects the national picture, the impact is reflected in our local financial resilience. The increase in High Needs funding in 2023/24 helps mitigate some of the pressure being experienced and further work is being undertaken as part of the DfE programme Delivering Better Value in SEND. The primary strategy for managing the increase in High Needs is threefold:
- 1) Reduce the number of children requiring an Education and Health Care Plan through targeted early intervention support, through enhanced training and support to schools and parents.
 - 2) Reduce the number of children requiring a place at a special school, by improving the consistency of offer and inclusive practice at mainstream schools and by developing SEND units and resourced provisions within mainstream schools.
 - 3) Maintain a reduction in the reliance of placements in high cost out of city special independent school places, by enhancing the offer and facilities of local mainstream schools, and on the development of highly specialist units and resourced provisions.
27. The Schools Budget is ring-fenced and presently the DSG deficit is subject to a statutory override which means that the deficit will not impact on the wider council services or council tax payers. The statutory override is in place until March 2026, having recently been extended by 3 years.
28. What this means, however, is that whatever deficit remains, as of April 2026, will impact directly on the council and will need to be covered by General Fund resources. It is therefore important the council ensures robust plans are in place to address the deficit within the 3 year window allowed by Government. The council will need to engage with other authorities and Government to control this deficit. This is likely to be a difficult challenge, which faces many councils nationally.

Performance Indicators

29. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined performance indicators. Annex 5 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.
30. For the General Fund Balance, the minimum level may not be maintained if the forecast deficit for the year is not reduced, as outlined in paragraph 19.
31. For Income Collection, average days sales outstanding and percentage of debt more than 12 months old are not achieving the targets set for the year. The major contributors to this under performance are adult social care debt and former tenant arrears. Adult

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social care debt includes clients waiting for appointeeship and deputyship. The level of care debt is also impacted by the practice of billing clients at full cost who have not engaged with the financial assessment process – once financial assessments are completed they may not be full cost clients, leading to debt cancellations. To tackle former tenant arrears resource within the Customer Payments and Debt Team has been re-prioritised from current tenant arrears and options are being explored for commissioning external agency support versus additional in-house resource.

Housing Revenue Account

32. The Housing Revenue Account is forecast to have a surplus of £0.58M for the year, as summarised in Table 2 below, which will be used to increase the HRA working balance to £2.58M.

Table 2 – Housing Revenue Account Forecast 2023/24

	Budget Qtr 1 £M	Annual Forecast Qtr 1 £M	Forecast Variance Qtr 1 £M
Expenditure	79.77	78.75	1.02 F
Income	(79.77)	(79.33)	0.44 A
(Surplus) / Deficit for the year	0.00	(0.58)	0.58 F

Collection Fund

33. The forecast outturn position for the Collection Fund at Q1 is summarised in Table 3.

Table 3 – Collection Fund Forecast 2023/24

	Council Tax £M	Business Rates £M	Total £M
Distribution of previous years' estimated surplus/(contribution towards estimated deficit)	(0.31)	3.45	3.14
Net (income)/expenditure for 2023/24	0.76	(3.43)	(2.67)
(Surplus)/Deficit for the year	0.45	0.02	0.47
(Surplus)/Deficit brought forward from 2022/23	0.90	(13.20)	(12.30)
Overall (Surplus)/Deficit Carried Forward	1.35	(13.18)	(11.83)
SCC Share of (Surplus)/Deficit	1.13	(6.46)	(5.33)
Add: Variance in SCC government grant income for business rates reliefs for 2023/24		(0.28)	(0.28)
SCC Net Share of (Surplus)/Deficit including government grant adjustments to be taken into account in 2024/25 budget setting	1.13	(6.74)	(5.61)

Numbers are rounded

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34. The position on the Collection Fund as a whole is a forecast surplus to be carried forward of £11.83M, comprising a forecast deficit of £1.35M for Council Tax and a forecast surplus of £13.18M for Business Rates.
35. For Council Tax, £0.90M of the deficit was carried forward from 2022/23. Of this, £0.31M was estimated in January 2023 and is being recouped in the current year. The net expenditure for 2023/24 excluding the contribution towards the previous years' estimated deficit is £0.76M. This relates primarily to income from Council Tax payers being lower than estimated when the budget was set.
36. For Business rates, a surplus of £13.20M was carried forward from 2022/23. Of this, £3.45M was estimated in January 2023 and is being distributed in the current year. The net income for 2023/24 excluding the distribution of the previous years' estimated surplus is £3.43M. This relates to a £1.63M reduction in the amount set aside for appeals, £1.27M more business rates income than budgeted and £0.53M reduction in amount set aside for bad debts.
37. The council's share of the forecast £11.83M surplus is £5.33M. In addition, grant compensation for business rates reliefs is forecast to be £0.28M more than budgeted, resulting in a forecast adjusted surplus of £5.61M. This surplus will need to be taken into account in setting the 2024/25 budget and is not available for use in 2023/24.

Conclusion and Outlook

38. A new financial strategy has been adopted to stabilise the council's financial position, reduce expenditure to within budget for the current year and achieve a sustainable budget for future years. Despite swift actions being taken the position remains challenging, with a forecast deficit on the General Revenue Fund of £20.91M for the year. Considerable efforts are on-going to deliver further cost control measures and achieve further savings in-year to turnaround the forecast deficit. A draft plan setting out the actions being taken is attached at Annex 6.

RESOURCE/POLICY/FINANCIAL/LEGAL/RISK MANAGEMENT IMPLICATIONS:

39. Details will be set out in the Executive decision making report published on 7 August.

Appendices/Supporting Information:

- Annex 1 - General Revenue Fund Forecast Qtr 1 2023/24
- Annex 2 - Savings and In-Year Cost Control Measures Qtr 1 2023-24
- Annex 3 - Treasury Management Qtr 1 2023/24
- Annex 4 - Key Financial Risks Register Qtr 1 2023/24
- Annex 5 - Performance Indicators Qtr 1 2023/24
- Annex 6 – Draft Action Plan

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Agenda Item 10

Appendix 2

OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR 2023/24

Directorate	Budget Quarter 1	Annual Forecast Quarter 1	Forecast Variance Quarter 1
	£M	£M	£M
Children & Learning	63.63	72.56	8.93 A
Corporate Services	38.94	41.83	2.89 A
Place	28.45	31.10	2.65 A
Strategy & Performance and CEO	3.72	3.79	0.07 A
Wellbeing & Housing	91.89	98.32	6.43 A
Total Directorates	226.63	247.58	20.96 A
Levies & Contributions	0.09	0.09	0.01 A
Capital Asset Management	9.86	9.82	0.04 F
Other Expenditure & Income	(15.05)	(15.06)	0.01 F
Net Revenue Expenditure	221.52	242.44	20.91 A
Council Tax	(115.51)	(115.51)	0.00
Business Rates	(49.14)	(49.14)	0.00
Non-Specific Government Grants	(56.87)	(56.87)	0.00
Total Financing	(221.52)	(221.52)	0.00
(SURPLUS)/DEFICIT	0.00	20.91	20.91 A

Numbers are rounded

EXPLANATIONS BY DIRECTORATE

1. CHILDREN & LEARNING

KEY REVENUE ISSUES – QUARTER 1 2023/24

The directorate is currently forecast to have a deficit of **£8.93M**, which represents a percentage variance against budget of **14.0%**.

	Forecast Variance £M	% of budget
Directorate Forecast Outturn	8.93 A	14.0%

A summary of the directorate forecast variance is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Children & Families First	0.07 A
Children Looked After	2.45 A
Divisional Management & Legal	0.02 A
Education - Home to school transport and property mgt	4.80 A
Education - Services for schools, High Needs	0.36 A
Pathways Through Care	0.65 A
Quality Assurance Business Unit	0.02 A
Safeguarding	0.21 A
Stronger Communities	0.14 A
Young Peoples Service	0.19 A
Youth Offending	0.01 A
Total	8.93 A

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

Service Area	Forecast Variance Qtr 1 £M	Explanation
Children Looked After	2.45 A	<p>This adverse variance comprises as follows:</p> <ul style="list-style-type: none"> • Residential placements - £0.92M • SCC Foster Carers - £0.65M • Special Guardianship - £0.33M • Unaccompanied Asylum Seeking Children costs - £0.58M • Children in Care Teams - £0.26M <p>This has been offset by a favourable variance totalling £0.29M from fostering from lower cost placements and staffing movements.</p>
Education - Home to school transport and property management	4.80 A	<p>The Home to School Transport (HST) service is experiencing cost pressures of £4.37M driven by a sharp increase in the unit costs for transport as well as an increased numbers of pupils with an Education, Health and Care Plan (EHCP) entitled to home to school transport.</p> <p>Unachievable savings are:</p> <ul style="list-style-type: none"> • £0.06M for HST • £0.19M Educational Psychologists. • £0.14M relating to property <p>Plus £0.04M expected over and above budget for pay awards pending.</p>
Education - Services for schools, High Needs	0.36 A	<p>A combination of:</p> <p>Jigsaw service - new pressure of £0.24M relating to a new high placement cost</p> <p>The education team has net pressures of £0.04M relating to unachievable savings targets.</p> <p>Plus £0.08M expected over and above budget for pay awards pending</p>
Care Leavers	0.65 A	<p>Adverse position based on the current number of clients. This is also in the context of a significantly reduced budget this year compared with spend last year.</p>
Safeguarding	0.21 A	<p>Adverse variance due to the Emergency Duty Team (EDT) staffing, overtime, allowances and preventative spend.</p>

Young Peoples Service and Youth Offending	0.20 A	Adverse due to: <ul style="list-style-type: none">• Cost control proposals to merge 2 posts will not be made to realise £0.06M gain.• £0.09M on staff to cover demand in this service area.• Plus £0.08M expected over and above budget for pay awards pending.
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2. CORPORATE SERVICES

KEY REVENUE ISSUES – QUARTER 1 2023/24

The directorate is currently forecast to have a deficit of **£2.89M**, which represents a percentage variance against budget of **7.4%**.

	Forecast Variance £M	% of Budget
Directorate Forecast Outturn	2.89 A	7.4%

A summary of the directorate forecast variance is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Accounts Payable	0.26 A
Accounts Receivable	0.18 A
Business Support	0.14 A
Commercialisation	0.31 A
Corporate Finance	0.15 A
HR	0.08 F
IT Services	2.06 A
Leisure Contracts	0.08 F
Local Taxation & Benefits Services	0.20 A
Pension & Redundancy Costs	0.23 F
Other	0.04 F
Total	2.89 A

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

Service Area	Forecast Variance Qtr 1 £M	Explanation:
Accounts Payable	0.26 A	<p>The adverse variance relates to unachievable prior-year efficiency savings targets. These include:</p> <ul style="list-style-type: none"> • charging for the appointeeship service £0.03M; Improvement and Development Agency (IDEA) income £0.05M; • renegotiation of payment terms with suppliers £0.02M; greater use of purchase cards £0.11M; • staffing savings £0.04M.
Commercialisation	0.31 A	<p>This relates to unachievable prior year efficiency savings targets for:</p> <ul style="list-style-type: none"> • commercialisation £0.23M; • city Lottery Proposal £0.04M • salary sacrifice scheme £0.04M.
IT Services	2.06 A	<p>The IT service is incurring:</p> <ul style="list-style-type: none"> • additional staff costs of £0.56M • costs of £0.90M which can't be charged to capital as originally expected. • a shortfall in the income to be achieved from IT services paid for by schools of £0.45M • an unachievable prior year efficiency savings target of £0.20M. • £0.08M expected over and above budget for pay awards pending. • less a cost control saving of £0.13M.
Local Taxation & Benefits	0.20 A	<p>An undelivered efficiency saving of £0.16M in the cost of collecting taxes and £0.04M expected over and above budget for pay awards pending.</p>
Pension & Redundancy Costs	0.23 F	<p>There is a forecast favourable variance of £0.23M in this budget due to the inclusion of a cost control proposal of £0.23M to realign the pensions budget for compensatory added years (CAY) to reflect future forecast expenditure more accurately in this area.</p>

3. PLACE

KEY REVENUE ISSUES – QUARTER 1 2023/24

The directorate is currently forecast to have a deficit of **£2.65M**, which represents a percentage variance against budget of **9.3%**.

	Forecast Variance £M	% of budget
Directorate Forecast Outturn	2.65 A	9.3%

A summary of the directorate forecast variance is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Central Repairs & Maintenance	0.20 A
City Development	0.25 A
City Services - District Operating Areas	0.23 A
City Services - Fleet & Landscapes Trading	0.40 A
City Services - Trees & Ecology	0.12 A
City Services – Waste Operations	0.12 A
CPRES - Bereavement Services	0.10 A
CPRES - Parking & Itchen Bridge	0.25 F
CPRES – Port Health	0.14 A
CPRES - Private Sector Housing	0.05 A
Cultural Services	0.16 F
Directorate Management	0.28 A
Economic Development	0.14 A
Libraries	0.08 A
Planning	0.64 A
Property Services	0.35 A
Other	0.03 F
Total	2.65 A

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

Service Area	Forecast Variance Qtr 1 £M	Explanation
Central Repairs & Maintenance	0.20 A	Adverse variance forecast on reactive repairs of £0.20M based on the trend in the level of repairs required in recent years. In year cost control mitigations are being developed across the

		Directorate to address adverse variances to be incorporated into Quarter 2 reporting.
City Development	0.25 A	This is the new City Development team in the Economic Development & Regeneration service. The adverse forecast of £0.25M is to enhance the new service including £0.15M for creating a Masterplanning budget and £0.10M to develop new positions to help deliver the city growth ambitions for the Council.
City Services - District Operating Areas	0.23 A	<ul style="list-style-type: none"> • An unachievable saving of £0.10M relates to the implementation of solar bins. The new vehicle needed for the saving should be received this summer. • A cost pressure of £0.05M relates to the requirement to pay Veolia to open the Marchwood site on Sunday. • £0.08M expected cost over and above budget for pay awards pending.
City Services - Fleet & Landscapes Trading	0.40 A	This is mainly due to a forecast shortfall in recharge income of £0.38M from the change in policy for how older vehicles are recharged to the HRA (Housing Revenue Account).
Parking & Itchen Bridge	0.25 F	The favourable variance of £0.25M is due to income performance in off street car parks being better than anticipated.
Directorate Management	0.28 A	A directorate wide saving target is being held centrally rather than applied to relevant services. It is anticipated this saving cannot be achieved. In year cost control mitigations are being developed across the Directorate to address adverse variances and measures are due to be incorporated into quarter 2 reporting.

Planning	0.64 A	<p>The adverse variance of £0.64M is split £0.31M for Development Management and £0.33M for Strategic Planning.</p> <p>The adverse variance in Development Management is mainly related to forecasts of planning application income being below budget.</p> <p>The Strategic Planning forecast variance of £0.33M includes £0.25M estimated costs associated with delivering the Local Plan in 2023/24 plus £0.08M for unachievable income targets.</p>
Property Services	0.35 A	<ul style="list-style-type: none"> • The adverse variance of £0.35M includes £0.20M to progress the regeneration of Mayflower Park. • An additional post, estimated at £0.05M, to progress a strategic procurement partner for the Corporate Estates and Assets team with the intention of making the procurement process more efficient. • £0.10M expected over and above budget for pay awards pending.

4. STRATEGY & PERFORMANCE AND CEO

KEY REVENUE ISSUES – QUARTER 1 2023/24

The directorate is currently forecast to have a deficit of **£0.07M**, which represents a percentage variance against budget of **1.8%**.

	Forecast Variance £M	% of budget
Directorate Forecast Outturn	0.07 A	1.8%

A summary of the directorate forecast variance is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Corporate Communications	0.07 A
Data & Intelligence	0.01 A
Projects, Policy & Performance	0.05 A
Strategic management of the council	0.05 F
Total	0.07 A

There were no SIGNIFICANT issues for the directorate.

5. WELLBEING & HOUSING

KEY REVENUE ISSUES – QUARTER 1 2023/24

The directorate is currently forecast to have a deficit of **£6.43M**, which represents a percentage variance against budget of **7.0%**.

	Forecast Variance £M	% of budget
Directorate Forecast Outturn	6.43 A	7.0%

A summary of the directorate forecast variance is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Adults - Adult Services Management	0.02 A
Adults - Long Term	5.40 A
Adults - Provider Services	0.05 A
Adults - Reablement & Hospital Discharge	0.07 F
Adults - Safeguarding Adult Mental Health and Out of Hours	0.04 A
Housing Needs	0.20 A
ICU - Provider Relationships	0.83 A
Stronger Communities	0.04 F
Total	6.43 A

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

Service Area	Forecast Variance Qtr 1 £M	Explanation
Adults - Long Term	5.40 A	<p>This variance is due to:</p> <ul style="list-style-type: none"> • £6.69M is a combination of demography cost risk plus the impact of the worsening Adult Social Care financial position through the second half of the previous financial year continuing on the same trajectory. However, there are currently various interventions/ transformation projects planned to take place in year to reduce risk of overspend increasing through year with the aim of ultimately coming back to budget - plans are being progressed for this. • £1.37M favourable variance due to negotiated budget uplifts for provider rates being less than anticipated due to subsequent discussions agreeing on a reduced uplift percentage. • £0.05M adverse variance due the expected pay award uplift amount being greater than forecast.
Housing Needs	0.20 A	<p>This variance is due to anticipated homelessness costs for 2023/24. Homelessness levels remain high which puts pressure on temporary accommodation costs and irrecoverable housing benefits costs.</p>
ICU – Provider Relationships	0.83 A	<p>The variance is due to contract review savings still being identified, and the pay award uplift.</p>

6. CENTRALLY HELD BUDGETS

KEY REVENUE ISSUES – QUARTER 1 2023/24

Centrally held budgets are currently forecast to have a surplus of £0.04M, which represents a percentage variance against budget of **0.02%**.

	Forecast Variance £M	% of budget
Centrally Held Budgets Forecast Outturn	0.04 F	0.02%

A summary of the centrally held budgets forecast variances is shown in the table below:

Service Area	Forecast Variance Quarter 1 £M
Levies & Contributions	0.01 A
Capital Asset Management	0.04 F
Other Expenditure & Income	0.01 F
Council Tax	0.00
Business Rates	0.00
Non-Specific Government Grants & Other Funding	0.00
Total	0.04 F

There were no SIGNIFICANT issues for centrally held budgets at Quarter 1.

Directorate previously agreed savings and in-year cost control measures

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Children & Learning	24S207	Virtual school, do not recruit to vacant post	(44)	(44)			
Children & Learning	24S208	Change to Focus School Improvement Funding	(42)	(42)			
Children & Learning	24S209	Virtual School - Utilise additional funding	(15)	(15)			
Children & Learning	24S210	Music Service income increase	(15)	(15)			
Children & Learning	24S211	Not use surplus from Holiday Activities Fund	(7)	(7)			
Children & Learning	24S212	Change to Maximise impact of Family Hubs grant	(419)	(419)			
Children & Learning	24S214	Non recruitment of vacant posts within SEND	(59)	(59)			
Children & Learning	24S242	Change to reduction in training and conference costs	(21)	(21)			
Children & Learning	24S249	Early saving from moving to Family Safeguarding Model	(72)	(72)			
Children & Learning	24S288	Change to Fostering and Adoption Service redesign	(107)	(107)			
Children & Learning	24S290	Safeguarding Service redesign	(88)	(88)			
Children & Learning	24S291	Quality Assurance Unit redesign	(87)	(87)			
Children & Learning	24S292	Language Service redesign.	(19)	(19)			
Children & Learning	24S293	Reduce music service management costs	(23)	(23)			
Children & Learning	24S294	Holiday Activities and Food efficiencies	(13)	(13)			
Children & Learning	24S355	Cease outsourced contacts	(47)	(47)			
Children & Learning	24S361	Change to Rigorously monitor claims to Home Office to support increased number of UASC.	(211)	(211)			
Children & Learning	24S363	Bring ADM (Agency Decision Maker) role in house	(7)	(7)			
Children & Learning	24S365	Children & Learning - average 31 agency staff for the whole of 23/24	(2,628)	(2,628)			
Children & Learning	24S366	Cease Tripod costs (re: overseas recruitment)	(390)	(390)			
Children & Learning	24S367	Cease Consultancy costs	(176)	(176)			

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Children & Learning	23S151	Review non-staffing budgets that supports families in need	(15)		(15)		
Children & Learning	23S157	Increase public health funding for the PAUSE service which is preventing women having repeat removals of children to care	(72)		(72)		
Children & Learning	23S159	Freeze Children and Learning Service Workforce Academy spending on promotional materials and staff conferences	(20)		(20)		
Children & Learning	23S160	Redesign of Young People's, Missing, Exploited, Trafficked and Youth Justice Service	(111)				(111)
Children & Learning	23S161	Reduction of one post in the Placements Service	(44)		(44)		
Children & Learning	23S165	Creation of framework agreement for temporary accommodation to support no recourse to public funds/homeless families	(10)		(10)		
Children & Learning	23S170	Review of Asset management budgets within Education portfolio	(60)			(60)	
Children & Learning	23S173	Review of Education non-staffing budgets	(47)	(47)			
Children & Learning	23S209	Ensure appropriate application of contractual car user policy	(8)		(8)		
Children & Learning	22S1	Children's Social Care - residential unit projections	(13)			(13)	
Children & Learning	22S2	Children's Social Care - agency reductions	(1,052)		(1,052)		
Children & Learning	22S5	Fostering	(356)			(356)	
Children & Learning	22S7	Looked After Children projections	(3,744)	(3,744)			
Children & Learning	22-CS	Children's Social Care savings	(2,013)	(159)	(1,854)		
Children & Learning	22S51	Education psychologists	(25)		(25)		
Children & Learning	22S52	Home to school transport	(60)			(60)	
Sub-Total Children & Learning			(12,139)	(8,440)	(3,100)	(489)	(111)

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Corporate Services	24S124	Added years pensions adjustment	(230)	(230)			
Corporate Services	24S125	Amend staff time charging	(12)	(12)			
Corporate Services	24S126	Charge various grants for finance staff time including overheads	(25)	(25)			
Corporate Services	24S127	Charge Finance Business Partner work on school improvement to the associated grant	(5)	(5)			
Corporate Services	24S128	Unallocated receipts over 2 years old, credited as a saving (budget held centrally)	(10)	(10)			
Corporate Services	24S129	Low claims rebate on property insurance	(28)	(28)			
Corporate Services	24S130	Staff changes in Insurance Team	(5)	(5)			
Corporate Services	24S131	Reduction in insurance premiums	(30)	(30)			
Corporate Services	24S132	Slippage factor (C £2M) for capital programme - reduction in capital financing costs (budget held centrally)	(80)	(80)			
Corporate Services	24S133	Reduction in bad debt provision general debt (NB 22/23)	(150)	(150)			
Corporate Services	24S134	Reduction in investment property bad debt provision (NB 22/23)	(72)	(72)			
Corporate Services	24S135	Legal Service removal of 1 Apprentice Legal Services Officer post	(15)	(15)			
Corporate Services	24S136	Legal Service removal of 1 Childcare Solicitor post	(65)	(65)			
Corporate Services	24S137	Legal Service S106 income increase	(15)	(15)			
Corporate Services	24S140	Recharge work on capital projects by Supplier Management to the capital programme	(31)	(31)			
Corporate Services	24S141	Find and fix rebate from Balfour Beatty	(29)	(29)			
Corporate Services	24S144	Recovery of funding paid on account (Leisure)	(75)	(75)			
Corporate Services	24S145	Support Services - Delete vacancy (Grade 10)	(60)	(60)			
Corporate Services	24S149	Facilities Management - Centralisation of cleaning	(20)	(20)			
Corporate Services	24S150	Facilities Management remove vacant cleaner post	(20)	(20)			
Corporate Services	24S151	Facilities Management - changes to building security arrangements	(5)	(5)			
Corporate Services	24S152	Customer Experience - automation of processes	(19)	(19)			
Corporate Services	24S153	Customer Ops - Deletion of citizen service apprentice post	(26)	(26)			
Corporate Services	24S154	HR & OD - Organisational Design Officer Grade 8 0.4 FTE vacancy removed	(19)	(19)			
Corporate Services	24S155	HR & OD - Payroll and Pensions Admin Assistant Grade 6 1 FTE vacancy removed	(35)	(35)			

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Corporate Services	24S156	HR & OD - HR Business Partner Grade 10 post seconded to transformation	(60)	(60)			
Corporate Services	24S157	HR & OD - Further reduce Organisational Design budget for management development	(6)	(6)			
Corporate Services	24S327	Reduction in Mobile Phone costs	(125)	(125)			
Corporate Services	23S40	IT - Staffing - post restructure review	(90)		(90)		
Corporate Services	23S43	Remove MS Visio licenses	(4)	(4)			
Corporate Services	23S45	Tether (share) connectivity from one mobile device to another to reduce the number of mobile SIM contracts needed	(12)	(12)			
Corporate Services	23S46	Review all parking permits and remove where roles have changed and no longer required	(4)	(4)			
Corporate Services	23S47	Reduce the number of multi function devices by 50% when the contract is renewed and use print management tools to minimise the impact on staff	(75)	(75)			
Corporate Services	23S48	Rationalise the number of mobile SIM contracts in use across the Council	(66)	(66)			
Corporate Services	23S49	Migrate remaining users from the Avaya phone system to Teams telephony and decommission the Avaya system.	(70)	(70)			
Corporate Services	23S50	Legal Services staffing restructure	(54)	(54)			
Corporate Services	23S51	Stop using the DX postal service	(9)	(9)			
Corporate Services	23S52	Reduction in Legal Services books budget to essential texts only	(10)	(10)			
Corporate Services	23S53	Reduction in Legal Services attendance at external courses to mandatory only	(2)	(2)			
Corporate Services	23S54	Deletion of Records Management part-time post	(13)	(13)			
Corporate Services	23S55	Deletion of apprentice post within Complaints Team after end of current fixed term contract	(24)	(24)			
Corporate Services	23S56	Increase income for Legal Services work on S106 agreements	(5)	(5)			
Corporate Services	23S57	Review potential for a new legal services partnership with new partner council	(60)	(60)			
Corporate Services	23S58	Improve and automate business support processes as part of transformation programme	(229)	(60)			(169)
Corporate Services	23S76	Redesign of the Human Resources & Organisational Development service following the senior management restructure	(154)	(154)			

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Corporate Services	23S80	Closure of the Civic Centre between the winter bank holidays to reduce building management costs (heating etc.)	(8)	(8)			
Corporate Services	23S81	A restructure of the Facilities Management Team to realise efficiencies	(50)	(50)			
Corporate Services	23S82	A reduction in available budget for equipment within the Facilities Management Team	(31)	(31)			
Corporate Services	23S83	Spending less on external building security provisions with external providers	(20)			(20)	
Corporate Services	23S84	Closing areas of Civic Centre office spaces on one day a week in line with demand to reduce building running costs	(20)	(20)			
Corporate Services	23S85	Consolidation of building cleaning activities and resources under one contract to bring efficiencies / economies of scale including the Civic Centre	(60)	(60)			
Corporate Services	23S89	Review the Digital and Customer Experience budget	(5)	(5)			
Corporate Services	23S183	Reduce spend within Finance on postage, subscriptions and conferences	(14)	(14)			
Corporate Services	23S184	Redesign of Finance service, including removal of vacant posts	(162)	(42)	(60)		(60)
Corporate Services	23S186	Look at options for energy cost efficiency and environmental benefit, through part-night residential street lighting - see Annex 1.7 for further details	(428)		(428)	0	
Corporate Services	23S193	Reduce 1 Internal Audit from full-time to part-time - to reflect actual staffing level	(20)	(20)			
Corporate Services	23S195	Review fees & charges across the Council	(165)	(165)			
Corporate Services	23S205	Efficiency from Civic Centre energy controls	(60)				(60)
Corporate Services	23S206	Local Government Pension Scheme revaluation contribution: SCC funding level remains at 105%, but additional gain above that can be applied in the form of contribution reductions	(1,330)	(1,330)			
Corporate Services	23S213	Improve performance on recovering duplicate payments	(65)		(65)		
Corporate Services	22S14	Stretch Contract Management and Procurement Savings	(200)		(200)		
Corporate Services	21S55	Greater use of purchase cards	(115)				(115)
Corporate Services	21S56	City lottery proposal	(40)				(40)
Corporate Services	21S60	Renegotiate payment terms with suppliers	(25)				(25)
Corporate Services	21S90	Enhancement of Salary Sacrifice Scheme	(42)			(42)	
Corporate Services	21S108	Finance and Commercialisation Directorate – cost reduction	(306)	(43)		(107)	(155)
Corporate Services	21S111	Review pricing strategy	(250)	(250)			
Corporate Services	21S121	Business Support	(239)	(106)	(133)		

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Corporate Services	21S124	Temp staff/agency workers etc savings	(39)				(39)
Corporate Services	21Sf	Procurement and contract management savings	(200)		(200)		
Corporate Services	21SS	Staff travel, office consumables, postage etc savings	(32)			(32)	
Corporate Services	20S28	IDEA including Duplicate Payments	(50)				(50)
Corporate Services	19-MSC 7	Introduce fees to cover the cost of Universal Deferred Payment Scheme, which extends loans to adult social care clients in residential care	(14)				(14)
Corporate Services	19-MSC 12	Charging for Appointeeship service	(26)				(26)
Corporate Services	17-MSCBAU	Reduction in cost of collecting council tax and business rates and review of bad debt provisions	(600)	(440)			(160)
Corporate Services		Deferred Payments Income	(8)				(8)
Corporate Services		IT Major Projects - Anticipated Revenue Savings	(200)			(200)	
Corporate Services		Commercialisation Target - General	(230)				(230)
Sub-Total Corporate Services			(7,206)	(4,478)	(1,176)	(401)	(1,150)

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Place	24S7	Reduction in museums rateable value	(225)	(225)			
Place	24S75	Golf Course - increased income from change in VAT treatment	(120)	(120)			
Place	24S159	Off Street Parking - Increased income position based on prior year outturn	(250)	(250)			
Place	24S160	Vacancy saving in Environmental Health	(10)	(10)			
Place	24S181	Rebased waste income budgets for recycling (Dry Mixed Recyclables & Glass)	(200)	(200)			
Place	24S186	Bus Shelter Advertising Income from profit share	(60)	(60)			
Place	24S189	Align Dial A Ride Service budget to current provision	(25)	(25)			
Place	24S260	Vacancy saving in Bereavement Services	(16)	(16)			
Place	24S264	Absorb additional food safety inspections within existing budget	(45)	(45)			
Place	24S285	Vacancy saving in Estates Regeneration	(18)	(18)			
Place	24S303	Vacancy saving in Libraries (non-frontline)	(5)	(5)			
Place	24S305	Increase income by Archaeology Unit	(134)	(134)			
Place	24S306	Reduce Events (subscriptions) Budget	(14)	(14)			
Place	24S308	Delete Strategic Projects Budget	(46)	(46)			
Place	24S310	Increase income generation in museums and gallery	(48)	(48)			
Place	24S312	Integrated Transport - FTE reduction and maximise recharge for work on capital projects	(58)	(58)			
Place	24S313	Integrated Transport - Reduced Studies Budget	(43)	(43)			
Place	24S315	Reduction in concessionary fares budget in 23/24 to reflect forecast spend	(59)	(59)			
Place	24S316	Flood Risk Management - Service Reduction	(60)	(60)			
Place	24S317	Bus Stop Maintenance Budget - fund from capital not revenue	(12)	(12)			
Place	23S9	Concessionary fares - reduced operator claims linked to reduced demand and payments on actual patronage	(1,787)	(1,787)			
Place	23S11	Increase income from the City Golf Course	(70)	(70)			
Place	23S16	Restructure the Property service area to remove long-term vacancies and conversion of interim posts to permanent positions	(370)	(370)			
Place	23S17	Review training and supplies budgets within the Property service area	(15)	(15)			
Place	23S18	Capitalise structural repairs and maintenance and fund from borrowing to create a one-off savings in revenue	(710)		(710)		

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			£000	£000	£000	£000	£000
Place	23S19	Review property repairs and maintenance budget against essential spend criteria	(140)		(140)		
Place	23S20	Relocate services from One Guildhall Square into the Civic Centre and rent out vacated space	(300)		(300)		
Place	23S21	Maximise capitalisation of Property staff time spent on capital projects	(30)	(30)			
Place	23S22	Increase Property team's charge out hourly rates in line with salary increases	(40)	(40)			
Place	23S26	Integrate the courier service with wider post room activities within the Civic Centre as part of the Business Support service review and new income generation opportunities	(35)	(35)			
Place	23S27	Revenue savings from road safety review	(19)	(19)			
Place	23S28	Review in Transport Policy studies budget	(81)	(81)			
Place	23S29	Extension of e-scooter trials to 2024 and generate income via third party contract	(50)	(50)			
Place	23S30	Progression of the Coastal Partners partnership arrangement and review of Flood Team studies budget	(22)		(22)		
Place	23S31	Review of the Green Cities studies budget	(7)	(7)			
Place	23S32	Investigate options for an increase to the S106 administration fee	(5)	(5)			
Place	23S33	Building Control review of budget and reserves	(25)	(25)			
Place	23S39	Review the Strategic Skills non-staffing budgets	(13)	(13)			
Place	23S99	Install additional solar compactor bins across the city and reduce open litter bins to enable more efficient collection, reduce scavenging by animals and rodents and prevent wind blown litter	(30)		(30)		
Place	23S100	Fleet Operations - savings to be achieved through reduced repair costs as newer vehicles come on line, and a service redesign to introduce a more resilient management structure and efficient operating model. All staffing reductions to be achieved by not filling vacancies.	(120)	(50)	(70)		

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Place	23S101	Review of the central street cleansing team in line with saving opportunities supported by the introduction of solar bins and a re-focussed city-wide task team	(28)	(28)			
Place	23S103	Move to a commissioning model for the Landscaping team to support the delivery of SCC capital projects and concentrate internal delivery on external contracts where full costs can be recovered and capitalised, and more commercial contracts can be supported	(255)	(155)	(100)		
Place	23S115	Increased museum income from various streams	(48)	(48)			
Place	23S119	Transfer Cobbett Road Library to a third party operator (subject to fulfilling Council requirements)	(70)		(55)	(15)	
Place	23S130	Itchen Bridge fees for non-residents - increase of 20p and 10p (peak and off peak) from April 2023, subject to Traffic Regulation Order consultation and response	(400)	(400)			
Place	23S132	Remove concessions for Itchen Bridge charges for electric vehicles, subject to Traffic Regulation Order consultation and response	(10)	(10)			
Place	23S133	Reinstate multi-storey car park evening charges	(20)	(20)			
Place	23S134	Increase income from cremation	(100)	(100)			
Place	23S137	Increase burial income	(25)	(25)			
Place	23S138	Increase the number of ceremonies being undertaken by the Registration Service	(25)	(25)			
Place	23S139	Review allocation of staffing costs between on street and off street parking	(30)	(30)			
Place	23S141	One-off contribution from Trading Standards South East	(70)	(70)			
Place	23S143	Review/simplification of parking tariffs	(187)		(187)		
Place	23S212	Founding partner contributions to Cultural Trust to deliver City of Culture legacy will be made from existing budgets	(82)	(82)			
Place	22S9	Cultural Services Venues (Income) - stretch target	(220)	(220)			
Place	22S16	Bereavement Services Income Generation	(100)		(100)		
Place	22S18	Port Health Income	(30)				(30)
Place	22S34	Decarbonisation Measures	(273)		(273)		
Place	22S44-48	Waste Operations savings	(209)	(140)	(69)		
Place	22S49	Income from Dry Mixed Recyclables	(200)		(200)		
Place	19-AMC 21	Reduce number of bins and replace with 'smart' compactor bins to reduce collection costs	(100)			(100)	
Sub-Total Place			(7,799)	(5,398)	(2,255)	(115)	(30)

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Strategy & Performance and CEO	24S258	Reduction to Leader's budget	(53)	(53)			
Strategy & Performance and CEO	23S8	Senior management restructure	(258)	(258)			
Strategy & Performance and CEO	23S58	Improve and automate business support processes as part of transformation programme	(61)			(61)	
Strategy & Performance and CEO	23S86	Generate income from outdoor advertising being managed on council land	(50)	(50)			
Strategy & Performance and CEO	23S87	Improve efficiency of printing across the organisation	(30)	(30)			
Strategy & Performance and CEO	23S88	Marketing and advertising activity efficiencies	(20)	(20)			
Strategy & Performance and CEO	23S174	Review agency staff spend in Intelligence, Innovation & Change Team	(40)	(40)			
Strategy & Performance and CEO	23S176	Review of policy related roles across the organisation to understand any synergies and whether additional income can be obtained through funding opportunities	(75)	(75)			
Strategy & Performance and CEO	23S177	Delete vacant post within Intelligence, Innovation & Change Team	(44)	(44)			
Strategy & Performance and CEO	21S121	Business Support	(10)	(10)			
Sub-Total Strategy & Performance and Chief Executive's Office			(641)	(580)	0	(61)	0

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Wellbeing & Housing	24S224	Stronger Communities Holding vacant posts	(40)	(40)			
Wellbeing & Housing	24S259	Savings arising from negotiations on inflationary uplift applied to care provision costs	(1,380)	(1,380)			
Wellbeing & Housing	24S407	Wellbeing & Housing agency review	(200)	(200)			
Wellbeing & Housing	23S92	Use the results of the Association of Directors of Adult Social Services peer review to reduce costs for Adult Social Care continuing healthcare/S117 aftercare	(100)	(100)			
Wellbeing & Housing	23S95	Adult Social Care - shift to home first policy, avoiding need for residential placement	(134)	(134)			
Wellbeing & Housing	23S97	Adult Social Care - reduce agency staffing budgets/freeze vacancies	(850)	(850)			
Wellbeing & Housing	23S98	Proposal for Public Health Grant to be invested in activities delivering wider public health outcomes (with Director of Public Health oversight)	(500)	(500)			
Wellbeing & Housing	23S142	Review need for vacant Community Safety Warden post	(35)	(35)			
Wellbeing & Housing	23S145	Meet homelessness service staff costs from ringfenced grant funding	(500)	(500)			
Wellbeing & Housing	22S40	Adult Social Care - Contract Reviews	(1,044)	(260)		(784)	
Sub-Total Wellbeing & Housing			(4,783)	(3,999)	0	(784)	0
Total Directorates			(32,567)	(22,894)	(6,531)	(1,850)	(1,291)

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Treasury Management																																																																																																																																																																							
Borrowing and Investments																																																																																																																																																																							
1.	<p>Table 1 below shows the year's opening balance of borrowing and investments, current levels, and the year-end forecast. Forecast borrowing is based on the forecast capital programme and will be subject to review during the year.</p> <p>The Authority maintained its strategy of keeping borrowing and investments below their underlying levels to reduce risk and make a net saving.</p>																																																																																																																																																																						
2.	<p>Table 1 - Borrowing and Investments</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 65%;"></th> <th style="width: 7.5%; text-align: center;">31-Mar-23 Actual</th> <th style="width: 7.5%; text-align: center;">31-Mar-23 Average Yield / Rate</th> <th style="width: 7.5%; text-align: center;">30-Jun-23 Actual</th> <th style="width: 7.5%; text-align: center;">30-Jun-23 Average Yield / Rate</th> <th style="width: 7.5%; text-align: center;">31-Mar-24 Forecast</th> <th style="width: 7.5%; text-align: center;">31-Mar-24 Forecast Average</th> </tr> <tr> <th></th> <th style="text-align: center;">£M</th> <th style="text-align: center;">%</th> <th style="text-align: center;">£M</th> <th style="text-align: center;">%</th> <th style="text-align: center;">£M</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Long Term Borrowing</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Public Works 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Banks	9.00	4.86	9.00	4.86	9.00	4.87		298.19	3.63	297.70	3.63	389.10	2.82	Short Term Borrowing							Other Local Authorities	5.00	3.36	0.00	0.00	0.00	0.00	Total External Borrowing	303.19	2.96	297.70	2.94	389.10	2.78	Other Long Term Liabilities							PFI Schemes	44.37	9.56	43.55	9.56	41.08	9.56	Deferred Debt Charges (HCC)	12.73	3.27	12.73	3.27	12.37	3.27	Total Gross External Debt	360.29	4.08	353.98	4.08	442.55	3.85	Investments:							Managed In-House							Government & Local Authority	(11.06)	4.05	(8.92)	4.81			Cash (Instant access)	(15.49)	4.08	(14.78)	4.74	(20.00)	5.50	Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00	Long Term Bonds	(1.01)	5.27	(1.03)	5.27	(1.00)	5.27	Managed Externally							Pooled Funds (CCLA) & Shares	(27.00)	4.04	(27.00)	4.29	(27.00)	3.00	Total Investments	(54.56)	4.08	(51.73)	4.33	(48.00)	4.09	Net Debt	305.73		302.25		394.55	
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3.	<p>After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net borrowing is expected to increase by £88.82M, to £394.55M.</p> <p>This forecast is subject to change; most notably regarding the increased use of balances, (which increase borrowing need as use of internal borrowing will reduce) and changes to the capital programme, which due to the current financial environment is subject to ongoing review against the backdrop of rising inflation (which is significantly increasing construction costs) and rising interest rates which has seen the cost of borrowing increase dramatically.</p>																																																																																																																																																																						
4.	<p>The interest cost of financing the council's long and short term loan debt is charged to the general fund revenue account and is detailed below together with a summary of performance to date.</p>																																																																																																																																																																						

	<u>Borrowing</u>
5.	As at June 2023, the forecast cost of financing the council's loan debt is £21.92M of which £6.37M relates to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.
6.	As outlined in the treasury strategy, the Authority's primary objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
7.	<p>There has been a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the quarter; significantly higher than its level of 1.25% at the end of June 2022.</p> <p>Gilt yields faced upward pressure since early April following signs that UK growth has been more resilient and inflation stickier than expected. Consequently, PWLB borrowing rates continued to rise over the quarter. On 30th June, the PWLB certainty rates for maturity loans were 5.25% for 10-year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.</p>
8.	A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to loans relating to the HRA maturing during this time frame.
9.	The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority does not intend to do this and will therefore retain its access to PWLB loans.
10.	Loans restructuring: The sharp rise in gilt yields over the past 18 months has now resulted in some of the Authority's loans being in or close to a discount position if repaid early. However, as the prepaid loans would need to be replaced by new loans at higher interest rates, this isn't a cost-effective option for the Authority.
11.	<p>LOBO loans: The Authority continues to hold £9M of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.</p> <p>With market interest rates having risen, the probability of LOBOs also increased. £3M of LOBO loans had semi-annual call option dates during the April-June quarter, however no lender exercised their option.</p> <p>All the LOBO loans have call dates within the next 12 months and we have liaised with our treasury management advisors Arlingclose over the likelihood of the options being exercised. If the option is exercised and an increased rate proposed, the Authority will only accept the new rate if it is judged to be a fair rate given the continued existence of future options and the</p>

	prevailing interest rate at the time. If required, the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.																
12.	<p>Short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates and is currently around 5.85% for a 1 year loan. We currently do not have any short term debt, but anticipate borrowing short term before year end.</p> <p>Any borrowing will be done in consultation with our advisors as although short term borrowing is currently higher than 25 year maturity debt at 5.36%, long term debt is expected to fall in the medium term and the overall cost needs to be considered.</p>																
13.	<p>The Authority has an increasing CFR due to the capital programme, and after future debt maturities currently has an estimated borrowing requirement of £101.54M for the year, as determined by the Liability Benchmark which considers capital spend, maturing debt, usable reserves and working capital and is summarised in Table 2 below.</p> <p>Table 2 – Estimated Borrowing Requirement</p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> </tr> </thead> <tbody> <tr> <td>New Capital Expenditure</td> <td>57.39</td> </tr> <tr> <td>Repayment of Principle (MRP)</td> <td>(8.69)</td> </tr> <tr> <td>Maturing Debt</td> <td>15.60</td> </tr> <tr> <td>Movement in Resources</td> <td>37.24</td> </tr> <tr> <td></td> <td>101.54</td> </tr> <tr> <td>New Borrowing Taken in Year</td> <td>(0.00)</td> </tr> <tr> <td>Cumulative Borrowing Need</td> <td>101.54</td> </tr> </tbody> </table>		2023/24 £M	New Capital Expenditure	57.39	Repayment of Principle (MRP)	(8.69)	Maturing Debt	15.60	Movement in Resources	37.24		101.54	New Borrowing Taken in Year	(0.00)	Cumulative Borrowing Need	101.54
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14.	<p>Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.</p> <p>As demonstrated in table 2 above, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.</p>																
15.	The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year investment balances have ranged between £86.95M and £48.08M and are currently £51.73M and expected to reduce to £48M by year end.																
16.	<p>Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.6% and 4.9%.</p> <p>Forecast income is now £2.26M, £0.34M higher than originally budgeted which helps to partly mitigate the increase in borrowing costs.</p>																

<u>Investment Performance</u>	
17.	The council's advisors undertake quarterly investment benchmarking across its client base. We previously had a more diversified portfolio and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we have seen a fall in suitable instruments. With this in mind, and the changes to Prudential code to only borrow when cash flows dictate, our investments primarily now consist of a previous long-term investment in property funds and short term investments for cash flow purposes.
18.	Our current investment in bonds remains at £1M and we maintained the pooled property fund at £27M, with all other cash being placed in short term deposits as shown in table 1.
19.	As detailed in paragraph 15 our cash balances are currently higher than forecast but at £51.73M have reduced by £35.22M since highest point, in April, when we held £86.95M. Our target is to reduce this to a £20M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.
20.	<p>Investments managed internally are currently averaging a return of 4.81% which is slightly higher than the average unitary authority at 4.47% whilst maintaining a higher credit rating at AA- compared to A+.</p> <p>Total income returns at 4.15% is lower than the average for both unitary (4.30%) and LA's (4.32%), this is due to lower cash balances available to invest, £25M as opposed to £62M for other Unitaries and £67M for other Local Authority. Cash is performing well in the current financial environment.</p> <p>We hold 51% of our investments in strategic funds which offer higher return over the long term, as detailed in paragraphs 21 to 24, which is higher than the average but not unexpected as our cash flows have reduced. The capital value of our external strategic funds has fallen by a further £0.04M in the last quarter, which is consistent across all local authorities that hold funds in pooled property funds. The income return was and still remains the driver to invest.</p>
<u>External Managed Investments</u>	
21.	The council has invested £27M in pooled property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term but may be more volatile in the shorter term. They are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments.
22.	Because these funds have no defined maturity date but are usually available for withdrawal after a notice period (180 days), their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.
23.	<p>Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.</p> <p>Considering their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained but will be monitored carefully especially as the statutory override on accounting for gains and losses on pooled investment funds ends on 31st March 2025, when any difference between initial investment and the current value will be a cost/gain to the Authority. We have ongoing discussions with Arlingclose about the implications for the investment strategy and what action may need to be taken.</p>

24. Financial market conditions were volatile during the quarter, but favourable in some areas. Resilient economic data, which led to diminishing talk of recessions at a time when interest rate peaks are thought to be near initially helped UK, euro-area and US equity markets. However, UK equities fell in May (sterling's strength weighed on some sectors) and ended the quarter marginally lower.

UK property markets continued to struggle as higher interest rates, bond yields and funding costs weighed on the sector. There was some improvement in May, building on signs of returning investor interest and transactional activity in calendar Q1 and a perception that the downturn in commercial real estate may be bottoming out. This has helped support capital values and rental income. The additional move upwards in yields in late May/June and the prospect of sluggish economic growth however constrain the outlook.

Fixed income markets, however, moved lower as interest rate expectations picked up again. This was most apparent in the UK government gilts with rising yields (i.e., prices falling) on higher than expected inflation. Corporate bond yields also rose but were helped by a narrowing in credit spreads as the fallout from the March mini-bank crisis continued to fade.

The change in the funds' capital values and income earned over the 3-month period is shown in Table 3 below. If rates remain at this level the forecast dividend for the year is £1.16M.

Table 3 - Pooled Fund Performance (Year to Date)

Quarter Ending	Valuation £M	Movement since Reported in SOA	Divide £M
1st April	25.80		
30th June (Est)	25.77	(0.04)	0.29
Total			0.29

Financial Review and Outlook

25. A summary of the external factors, which sets the background for Treasury, as provided by the council's treasury advisors, Arlingclose Ltd, is summarised below:

Table 4 - Arlingclose's Economic Outlook (23rd June 2023 interest rate forecast)

	Current	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00
Downside risk	0.00	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

26. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for June 2023 is based on the following underlying assumptions:

- The MPC raised Bank Rate by 50bps to 5.0% in June. Due to current inflation and wage data, we believe that Bank Rate will rise to 5.25% in August and to 5.50% in September.
- The risks lie to the upside. Further strong inflation data for June (released in July) will likely result in another 50bps rise in Bank Rate in August.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until services inflation and wage growth ease. The stickiness of these data suggests that rate cuts will happen later than previously expected. We see rate cuts from Q2 2024 to a low of around 3% by mid-2025.

- Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.

Economic background

27. From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.

The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.

April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.

Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

Despite the US Federal Reserve increasing its key interest rate to 5.00-5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertions of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.

In the euro zone, the picture was somewhat different. The European Central Bank maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest

	<p>rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has taken a hit from high energy prices and weaker global demand. However, inflation remained sticky, annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.</p>
	<p><u>Financial markets</u></p>
28.	<p>Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.</p> <p>Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.</p>
	<p><u>Credit background</u></p>
29.	<p>Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.</p>
30.	<p>Over the period S&P upgraded NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.</p> <p>Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raise the debt ceiling. It also upgraded the outlook on United Overseas Bank to stable, the outlook on Clydesdale to positive, and the outlook on Bank of Montreal to stable.</p> <p>Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.</p> <p>Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.</p>
	<p><u>Prudential Indicators</u></p>
31.	<p>As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators, which together with Capital Prudential Indicators can be seen in Appendix 3 (6 – 11):</p> <ul style="list-style-type: none"> • Liability Benchmark • Maturity Structure of Borrowing • Long-term Treasury Management Investments • Security • Liquidity • Interest Rate Risk Indicator

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KEY FINANCIAL RISKS

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

LIKELIHOOD (Probability)					
A - Almost certain	> 95%	↑	Is expected to occur in most circumstances		
B - Likely			Will probably occur in most circumstances		
C - Possible	50%		Might occur at some time		
D - Unlikely		↓	Could occur at some time		
E - Very Unlikely	< 5%		May only occur in exceptional circumstances		

IMPACT	5 - Minor	4 - Moderate	3 - Significant	2- Major	1- Extreme
Service delivery / key priorities	No noticeable effect	Some temporary disruption to a single service area/ delay in delivery of one of the council's objectives	Regular disruption to one or more services/ a number of corporate objectives would be delayed or not delivered	Severe service disruption on a directorate level / many corporate priorities delayed or not delivered	Unable to deliver most priorities / statutory duties not delivered
Financial Impact	Loss or loss of income < £10k	Loss or loss of income £10k - £499k	Loss or loss of income £500k - £4.99m	Loss or loss of income £5m < £9.99m	Loss or loss of income >£10m
Reputation	Internal review	Internal scrutiny required to prevent escalation	Local media interest. Scrutiny by external committee or body	Intense public, and media scrutiny	Public Inquiry or adverse national media attention

• **Robustness of estimates**

Page 63	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE1.	Interest rates are underestimated.	Likely	Major	<ul style="list-style-type: none"> Prudent estimates are made around future rates when costing the financing of the capital programme. Market intelligence provided by Treasury Management advisors. Treasury Management Strategy is aligned with CIPFA Code and DLUHC Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return. 	Possible	Significant
FE2.	Existing fees and charges: Projected levels of income within the period are not achieved and/or maintained.	Possible	Significant	<ul style="list-style-type: none"> Fees and charges have been reviewed as part of the business planning process. If there are 'in year' shortfalls these form part of the budget monitoring processes. Impairment allowances for non-collectability of debts are assessed at least annually. Corporate Framework to review fees and charges agreed and increase in line with inflation annually. Also benchmarking to ensure cost recovery. 	Possible	Significant
FE3.	New income streams: Projected levels of income within the period are not achieved.	Possible	Significant	<ul style="list-style-type: none"> Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop that these levels of income will not be achieved. Higher risk as it is based on new sources of income. 	Possible	Significant

FE4.	Volatility of Business Rates funding given the uncertainty around impact of successful appeals.	Likely	Major	<ul style="list-style-type: none"> • <i>The appeals provision has been reviewed and updated in light of known current appeals/challenges and potential threats and will be reviewed on a regular basis.</i> • <i>Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.</i> • <i>The appeals window for the 2017 rating list closed on 31 March 2023, so no further checks can be lodged, other than in relation to a tribunal case or court decision, for which the deadline is 30 September 2023.</i> • <i>Legislation has been enacted to prevent appeals as a consequence of measures to control COVID-19. Billing authorities were allocated a share of a £1.5Bn COVID-19 Additional Relief Fund for 2021/22 to award discretionary relief to those business ineligible for existing support linked to business rates.</i> • <i>Estimates have been made on the likely successful appeals against the 2023 rating list and provided for within estimates of collectable business rates.</i> 	Possible	Significant
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- **Robustness of estimates**

Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
	Likelihood	Impact		Likelihood	Impact
FE5. Increase in demand led spending pressures (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision. Should demand pressures become unaffordable and not balanced by savings, there is a risk of not meeting the legal requirement of a balanced budget.	Possible	Extreme	<ul style="list-style-type: none"> • Annual budget setting process developed in consultation with service managers • Monitoring of capital and revenue budgets, reported to the Executive Management Board (EMB) and Cabinet. Additional reporting monthly to Cabinet now part of the Financial Strategy. • Action plans to address any significant in year budget variances are agreed with EMB with the status of the agreed actions reported to EMB on a monthly basis. • Action plan in place within Children & Learning intended to reduce the number of Looked After Children. • Changes to Financial Procedure Rules to introduce Accountability Statements and ensure areas of significant overspend have formal plans agreed with S151 Officer. 	Possible	Major
FE6a. Third party provider costs will increase as a result of increases in the National Living Wage	Almost certain	Significant	<ul style="list-style-type: none"> • As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget. 	Possible	Significant
FE6b. Third party provider costs increase as a result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Unlikely	Significant	<ul style="list-style-type: none"> • Integrated Commissioning Unit (ICU) contract monitoring arrangements and general market oversight and intelligence 	Very Unlikely	Moderate
FE7. Legal challenge to savings proposals that could result in the proposal being either discontinued or revised.	Possible	Significant	<ul style="list-style-type: none"> • Robust budget consultation process in place for any service redesign proposals. 	Unlikely	Moderate
FE8. Pressure on returns from investment properties in both the short and longer term.	Possible	Major	<ul style="list-style-type: none"> • Investments are diversified between sectors. • No current plans to expand the Property Investment Fund 	Possible	Significant
FE9. Voluntary sector is either unwilling or unable to support the delivery of certain services or activities	Possible	Major	<ul style="list-style-type: none"> • Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector 	Possible	Significant
FE10. The council's service delivery partners seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement.	Likely	Major	<ul style="list-style-type: none"> • Central Contracts Team monitors and work closely with the council's significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities. 	Possible	Significant
FE11. The Council may receive reduced funding if Government make changes to the Local Government funding mechanism. Such changes may include removing the ring-fence for Public Health Grant and rolling it in to general funding.	Possible	Major	<ul style="list-style-type: none"> • The Council will plan for any proposed changes through the Medium Term Financial Strategy process. • The Local Government Finance Policy Statement published in December 2022 confirmed that no changes will be made to the main funding mechanisms in 2023/24 or 2024/25. 	Unlikely	Major
FE12. Employer pension contribution rates are under estimated.	Possible	Significant	<ul style="list-style-type: none"> • Local Government Pension Scheme employer contribution rates are assessed as part of the triennial revaluation process and set for a three year period. The latest rates apply to the period 2023/24 to 2025/26. Draft results from the triennial review are normally available 6 months ahead of any revised rate being applicable. • Hampshire Pension Fund provide advice to employers on performance of the Fund. • Any changes to employer contribution rates for nationally run schemes such as the Teachers Pension Fund are normally notified in advance. 	Very Unlikely	Significant

• Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR1.	Business Rate Retention & Council Tax Growth - the council fails to collect, retain and grow business rate income	Possible	Major	<ul style="list-style-type: none"> For the business rates multiplier, the assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government. The government has frozen the business rate multiplier for 2023/24, however councils will be compensated for this via grants. The MTFS includes assumptions on growth which have been reviewed in conjunction with the Development & Growth team and business rates collection team, including pipeline developments and their assumed operational dates. This will be monitored on a frequent basis as part of the standard monitoring arrangements. Business rates have been revalued with an effective date of April 2023. This may impact on business rates collectability, however a transitional relief scheme applies to dampen the impact where there has been an increase in rateable value. The Council's 2023/24 Top-Up Grant has been adjusted to eliminate, as far as reasonably practicable, the impact of the 2023 revaluation on its retained business rates. The adjustment will be updated based on 2022/23 outturn data. 	Possible	Significant
FR2.	Delivery of all of the agreed savings is not achieved.	Possible	Extreme	<ul style="list-style-type: none"> Progress and delivery of the overall programme and individual projects is monitored at Executive Director level, by EMB, with any non achievement forming part of the normal budget monitoring action plan process. EMB review the validity and achievability of projects and provide approval (or not) to projects Introduction of a finance opinion (on behalf of the S151 Officer) and completed in conjunction with the Executive Director, regarding achievability of saving when considering proposals. 	Possible	Major
FR3.	The Government could impose a lower Council Tax referendum threshold and/or reduce or remove the Adult Social Care Precept	Possible	Significant	<ul style="list-style-type: none"> SCC's 'core' Council Tax was increased by 2.99% and the Adult Social Care Precept by 2.0% in the 2023/24 budget, in line with the referendum limits. The Adult Social Care Precept was introduced as part of the Autumn 2015 Spending Review and allowed local authorities with social care responsibilities to increase Council Tax provided it was ring-fenced to Adult Social Care budgets. The Local Government Finance Policy Statement published in December 2022 confirmed that for 2024/25 a 'core' Council Tax increase of up to 3% and an Adult Social Care Precept of up to 2% could be applied without the need for a local referendum. 	Unlikely	Significant
FR4.	Slippage in capital receipts (not accompanied by a slippage in spend).	Possible	Significant	<ul style="list-style-type: none"> Non-receipt of any planned income will require a permanent draw from reserves, additional borrowing or for savings to be found in the capital programme. Impact reflects the cost of borrowing in the short term (the interest payments). 	Possible	Moderate
FR5.	If building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances and, in turn, the business model in respect of the redevelopment and refurbishment of the SCC Housing stock.	Possible	Major	<ul style="list-style-type: none"> Surpluses are liable to change annually, either favourably or not, and this will be reflected in the annual review of stock investment needs and estimated unit rates. Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget. 	Possible	Major
FR6.	The level of funds within the internal insurance provisions is inadequate to meet current or future demand	Possible	Significant	<ul style="list-style-type: none"> The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds. The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis. 	Unlikely	Significant

• Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR7.	Ad hoc or unforeseen events / emergencies.	Possible	Extreme	<ul style="list-style-type: none"> The Council's reserves may be utilised in respect of the financial impact of such an event. Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme. In previous years the Government allocated un-ringfenced funding to support local authorities in meeting COVID-19 pressures and provided funding to meet some fees and charges income losses and some irrecoverable tax losses, as well as providing some ring-fenced grant funding for specific measures e.g. infection control. No un-ringfenced funding has been provided for 2023/24, so use of reserves may be required to meet any COVID-19 legacy expenditure or income losses not provided for within the budget. 	Possible	Major
FR8.	The cost of implementing the Care Act 2014 is greater than anticipated.	Possible	Significant	<ul style="list-style-type: none"> The Government announced a new basis for Social Care provision in September 2021, with a "cap and floor" scheme due to be implemented from October 2023 to be funded via a new Health and Social Care Levy. In the Growth Plan published in September 2022 the Health and Social Care Levy was scrapped. A delay in implementation of the "cap and floor" scheme to October 2025 was announced in the Autumn Statement in November 2022. Funding previously earmarked within the Spending Review for the scheme has been allocated to local government for other purposes in the 2023/24 local government finance settlement. No costing analysis has been provided so it is unclear whether the quantum of funding identified at a national level would be sufficient to cover the costs of the scheme. There is also a risk that the method for distributing the funding will be unfavourable to the Council. 	Possible	Significant
FR9.	The Integrated Care Board (ICB) could seek to reduce its level of contribution to the 'pooled budgeting' arrangement with SCC	Possible	Major	<ul style="list-style-type: none"> Ongoing relationship and dialogue with ICB re shared objectives and outcomes. 	Unlikely	Significant
FR10.	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms	Possible	Significant	<ul style="list-style-type: none"> The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against. 	Possible	Significant
FR11.	Inflation increases at a higher rate than anticipated	Likely	Significant	<ul style="list-style-type: none"> Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2023/24. CPI is currently running at 7.9% (June 2023) and is reducing at a slower rate than had been anticipated. Market intelligence provided by Arlingclose - independent treasury advisors. An amount is included in the MTFS to cover key elements of inflation, based on assumed inflation rates at the time the MTFS is agreed. Beyond this provision, it would be managed as an 'in year' issue and services would normally be expected to absorb the difference. 	Likely	Significant
FR12.	Pay Inflation is at a higher rate than anticipated	Likely	Major	<ul style="list-style-type: none"> The MTFS approved in February 2023 was based on a pay award of 4.0% for 2023/24 and 2.0% thereafter. Pay awards for the majority of local government employees are agreed through the National Joint Council for Local Government Services, with representatives from both employers and trade unions. In February 2023 the NJC made a full and final offer for 2023/24 of a £1,925 flat rate increase on all NJC pay points on the pay spine and an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer. This is equivalent to around a 5.6% increase for the Council. The unions rejected the offer and are balloting their members. 	Likely	Significant

• Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR13.	Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Significant	<ul style="list-style-type: none"> National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment. There may be either pressure or incentives for non UK owned business to move operations back to within an EU country. Treasury Management advisors are regularly updating the Council on the economic impact of exiting the European Union, the strength of the pound, inflation and interest rates. 	Likely	Significant
FR14.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation	Possible	Significant	<ul style="list-style-type: none"> A Projects and Change Team is in place. A full programme management approach is taken, including planning and risk assessment, with significant support to major projects. 	Unlikely	Significant
FR15.	New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur.	Possible	Significant	<ul style="list-style-type: none"> Accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Government put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23 and in December 2022 this was extended for a further two years to 2024/25. Once the override is removed the Medium Term Financial Risk Reserve will be used to manage the volatility that the timing difference may cause. 	Possible	Significant
FR16.	COVID-19 will adversely impact on budgets	Almost certain	Major	<ul style="list-style-type: none"> COVID-19 is having ongoing financial effects through its impact on income streams and service costs rising due to increased demand e.g. for social care. The Council included anticipated additional expenditure/income losses in the MTFS agreed in Feb 2021. The MTFS will continue to be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates. 	Almost certain	Significant
FR17.	The cumulative deficit on the Dedicated Schools Grant (DSG) may have to be met from the General Fund. (NB Legislation currently delays the deficit impacting on the General Fund until 2026/27. In that year, the General Fund would incur any deficit - currently £11.1M)	Very Likely	Extreme	<ul style="list-style-type: none"> A cumulative DSG deficit of £11.1M as at the end of 2021/22 is being held in an unusable reserve in accordance with legislation. The statutory override has been extended until the end of 2025/26. A £1.0M in-year surplus for 2022/23 is held within earmarked revenue reserves as the statutory override regulations do not allow for this to be used to reduce the cumulative deficit held in the unusable reserve. Work is being undertaken as part of the DfE programme Delivering Better Value in Special Education Needs & Disabilities to reduce costs, however may only serve to limit cost increases. 	Likely	Extreme
FR18	Pressure on the Housing Revenue Account means it becomes financially unsustainable without savings and/or reductions in capital spending plans.	Possible	Extreme	<ul style="list-style-type: none"> A minimum working balance has been set at £2M to provide an in-year buffer. This buffer should be increased over time to at least £3.5M to provide a suitable safety net for any major financial risks and shocks and allow time to adjust plans within the 40-year HRA business plan. 	Possible	Major
FR19	Costs are incurred in meeting uninsured claims against the Council.	Possible	Extreme	<ul style="list-style-type: none"> Appropriate legal advice is taken to mount a successful defence. 	Possible	Major
FR20	The Council incurs unfunded costs relating to new legislative burdens .	Possible	Significant	<ul style="list-style-type: none"> The Government has a policy of funding any "new burdens" imposed on local government, either through the local government finance settlement or via specific grants. 	Unlikely	Moderate

FR21	<p>School deficits may have to be met from the General Fund if a school in deficit transfers to academy status. (NB Current deficit is £3.7M in total)</p>	Possible	Significant	<ul style="list-style-type: none"> • <i>The Government may mandate a school that "requires improvement" to become an academy. When a school in deficit transfers to academy status the deficit must be borne by the General Fund.</i> • <i>Schools in deficit are required to develop deficit recovery plans to get back to a balanced position within 3 years (which may be extended to 5 years if necessary, for schools that have experienced significant COVID-19 pressures).</i> 	Possible	Moderate
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PERFORMANCE INDICATORS – QTR 1 2023/24

Prudential Indicators Relating to Treasury

	<u>Maximum</u>	<u>Forecast</u>	<u>Status</u>
Maximum Level of External Debt £M	£1010M	£437M	Green
As % of Authorised Limit	100%	43.30%	Green
	<u>Maximum</u>	<u>Highest YTD</u>	<u>Status</u>
Authorised Limit for external debt £M	£1010M	£351M	Green
Operational Limit for external debt £M	£865M	£351M	Green
Maximum external borrowing year to date	£805M	£298M	Green
Limit of fixed interest debt %	100%	85.22%	Green
Limit of variable interest debt %	50%	14.78%	Green
Limit for Non-specified investments £M	£30M	£28M	Green
Other Treasury Performance Indicators	<u>Target</u>	<u>Actual Qtr 1</u>	<u>Status</u>
Average % Rate Long Term New Borrowing	5.50%	None Taken	Green
Average % Rate Existing Long Term Borrowing	3.40%	3.02%	Green
Average Short Term Investment Rate - Cash	3.50%	4.74%	Green
Average Short Term Investment Rate – Fixed	3.50%	4.81%	Green
Average Long Term Investment Rate - Bonds	5.25%	5.27%	Green
Average Return on Property Fund	3.50%	4.29%	Green
Average Return on All Investments	3.72%	4.33%	Green

Minimum Level of General Fund Balances

		<u>Status</u>
Minimum General Fund Balance	£10.1M	
Forecast Year End General Fund balance	£10.1M	Red

Income Collection

	<u>2023/24 Target</u>	<u>Qtr 1 YTD</u>	<u>Status</u>
Collection rate (in year)	>100%	104.75%	Green
Average days sales outstanding	</= 62 days	71	Red
Percentage of debt more than 12 months old	</= 20.52%	37.10%	Red
Debt written off	</= 1%	0.17%	Green

Creditor Payments

	<u>2023/24 Target</u>	<u>Qtr 1 YTD</u>	<u>Status</u>
Valid and undisputed invoices paid within 30 days	88.37%	85.26%	Amber

Tax Collection rate

	<u>2022/23</u> <u>Actual</u> <u>Rate</u>	<u>Target</u> <u>Collection</u> <u>Rate</u>	<u>Qtr 1 Collection Rate</u>		<u>Status</u>
			<u>Last Year</u>	<u>This Year</u>	
Council Tax (in-year)	93.61%	94.50%	27.07%	27.47%	Green
National Non Domestic Rates (in-year)	96.02%	96.02%	32.16%	33.19%	Green

Agenda Item 10

Appendix 7

ACTION PLAN

No	Key Actions	Status/progress/comments	Key Date (where applicable)
1	Cash limited budgets are introduced in this report and savings targets issued	Agreed in principle at Council 19 July 2023.	July 2023
2	Star Chambers will continue through the year to identify savings for next financial year, whilst the 'intensive care' sessions will focus on controlling pressures and costs.	Star Chamber held 25 July and further ones planned over the summer.	On-going from July 2023 Next dates are 15 th August Children & Learning & 22 nd August In Year Savings progress and Capital Programme
3	Ensure all savings proposals in this year and future years are supported by clear delivery plans.	On-going with support from Project Management Office team.	On-Going
4	Introduction of a finance opinion (on behalf of the S151 Officer) and completed in conjunction with the Executive Director, regarding achievability of saving when considering proposals.	On-going and as and when any new tranche of savings will be considered for agreement.	On-going
5	A short monthly monitoring statement is brought forward to complement the more detailed quarterly monitoring report.	To Start at Cabinet in September	Monthly from September
6	A signed accountability statement for budget holders, which will support the introduction of cash limited budgets and the duty to manage within that resource.	Draft Statements to be drawn up for discussion alongside support arrangements such as training. Discussion needed around introduction in-year or to apply from 1 April 2023	Quarter 3
7	A quarterly MTFS update to Cabinet. Further cost control measures reported.	September MTFS report update to Cabinet/Council. Cost control measures – likely to be October Cabinet & proposals consulted on during October onwards	Quarter 2, dates TBC
8	Finalise CIPFA report & actions arising from it	Improvement Plan to be tabled at Cabinet	Quarter 2
9	Finalise all fees and charges and prepare estimates for increase in line with new council policy	Agree final list of fees and charges. Check September inflation index	Quarter 3 target
10	Review any fees and charges that may be below cost	On-going – larger areas of income highest priority	Quarter 3 target

11	Introduce Strategic Capital Board	Terms of Reference etc agreed by Council (19 July 2023) and also noted at Governance Committee (24 July 2023).	Initial meeting planned 31 July, agree frequency thereafter
12	Apply Purposeful Investment criteria to capital programme & review all costs and phasing	On-going - times to be agreed at Strategic Capital Board	TBC
13	Review capital receipts and potential assets sales for use to offset borrowing or use flexibly per council policy	On-going	Quarter 2 to identify any opportunities
14	Agree Improvement Board	Need to identify independent board member experts	Quarter 2 to agree set-up and arrange meetings
15	Look at lease versus buy for assets	Paper to new Strategic Capital Board?	TBC
16	Establish design principles for service reviews to ensure consistent design and focus on stabilisation and sustainability of the council	On-going	
17	Executive Directors will review all areas to establish cost control measures that are cashable in 2023/24 to ensure they are delivering within the agreed cash limit	Underway	
18	A rigorous Cost Control Panel will be established and will review all expenditure with a view to reducing expenditure further to assist in bringing expenditure in line with income	Underway and savings to be captured	In existence
19	Council-wide voluntary redundancy scheme	Closed and outcome pending at time of writing	Quarter 2
20	Additional support and advice will be provided to the Finance portfolio holder to ensure there is robust challenge.	Ongoing & part of intensive care and star chamber meetings	Ongoing
21	The Cabinet and Executive Management Team will look for savings through activity reviews. These activity reviews will look at those activities that fall into 2 areas: <ul style="list-style-type: none"> Choice – areas that the council has a choice in providing and the customer has a choice of supplier. These tend to be areas where the council can charge for its services. Do Differently – can the activity be delivered differently using automation, self-service or partnerships. 	Ongoing	By October 2023
22	Executive Directors will establish the benefits realisation plans for the strands of the council's transformation plan.	Ongoing	

23	Explore opportunities for securing additional external funding.	Ongoing	
24	Key cost drivers have been identified and these will need to be tracked so the organisation can move quickly and efficiently if costs start to rise.	Costs to be monitored as part of monthly budget monitoring	Ongoing
25	City renaissance – a focus on growing the city and increasing the income of the council	MTFS will reflect the estimates of growth	To be updated when major changes arise in forecast
26	A compulsory financial management training programme will be introduced for all staff with additional training for budget holders to ensure our employees are financially aware and exercising financial prudence.	Training being developed – may involve external support	Quarter 3 to commence
27	Job descriptions and personal specifications will be reviewed to ensure strong financial acumen is reflected where the role involves the management of financial resources.	Sits alongside need for Accountability Statements	This will be completed as part of the 2024/25 budget setting process.
28	Review of the corporate plan, people plan and the supporting strategies to reflect the priorities of purposeful investment and a sustainable organisation.	Part of regular monitor of corporate plan throughout year.	TBC
29	Identify further opportunities to invest in the city and the council including innovative ideas and ensuring business cases have been developed in anticipation of funding becoming available	Through Renaissance Board	Ongoing
30	Review cost driver: STAFFING	Ongoing	Quarter 3
31	Review cost driver: ASSETS	Ongoing	Quarter 3
32	Review cost driver: Review cost driver: PARTNERSHIPS	Ongoing	Quarter 3
33	Review cost driver: SYSTEMS AND PROCESSES	Ongoing	Quarter 3
34	Review cost driver: ACCOMMODATION	Ongoing	Quarter 3
35	Where overspends do occur, a formal written action plan will be proposed to mitigate the pressure, including milestones and targets and agreed with the S151 officer.	Agreed as new part of Financial Procedure Rules.	From quarter 1, any major overspend forecast needs to comply with this requirement
HOUSING REVENUE ACCOUNT			
1	Update the HRA budget, capital programme and 40 year business plan	Need to refresh 40 year plan and review at Cabinet	Quarter 2
2	Prepare approach for Landlord Controlled Heating Account in line with MTFS update report proposals agreed.	Principles agreed at Council (19 July 2023) – detailed work now needed	Quarter 2

DEDICATED SCHOOLS GRANT (DSG)			
1	Engage with other authorities and Government to control and reduce the deficit (standing at £10.1M as at 31 March 2023).	Full deficit plan to be agreed and monitored	Ongoing
2	Develop an action plan to implement the strategy for managing the increase in High Needs	Plans to be discussed at EMB and Strategic capital Board	Ongoing
SCHOOL DEFICITS (schools with deficits totalled £4.5M as at 31 March 2023)			
1	Ensure all schools in deficit have a Deficit Recovery Plan and delivery is monitored	4 schools without a finalised plan. Overall total schools with a deficit is forecast at £3.7M.	Ensure all have plans by end of Quarter 2
2	Support schools with their financial control and deficit recovery plans	Schools that are unable to demonstrate that they can manage their budgets in these difficult times may benefit from further actions such as council employed staff with expertise in Governance roles, or other actions	Ongoing

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SUBJECT: CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2023

DATE: 10 AUGUST 2023

RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

The report to be considered at the 15 August meeting of Cabinet summarises the General Fund and Housing Revenue Account (HRA) capital programme for the period 2023/24 to 2027/28 financial position as at the end of June 2023 and informs Cabinet of any major changes since the last reported position.

The forecast underspend position for 2023/24 as outlined in this report is £1.18M, after accounting for £4.51M slippage. This position is likely to change as the year progresses, as at quarter 2 there is often slippage due to works which have not been undertaken during the Summer months which is unable to proceed in the Winter. Over the next quarter the capital programme will be reviewed to ensure that all projects meet the aim of being Purposeful Investment, as set out in the Medium Term Financial Strategy Update report to Council in July 2023.

BACKGROUND and BRIEFING DETAILS:

- Table 1 shows the changes to the individual directorate programmes. The updated programme for the General Fund is £308.84M and £255.70M for the HRA.

Table 1 – Changes to Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Children & Learning	59.82	59.00	0.83
Corporate Services	4.94	4.94	0.00
Place	239.35	237.77	1.58
Strategy & Performance and CEO	2.69	2.69	0.00
Wellbeing & Housing	2.04	2.04	0.00
Total GF Capital Programme	308.84	306.43	2.41
Housing Revenue Account	255.70	253.99	1.71
Total Capital Programme	564.54	560.42	4.12

NB. there may be small arithmetic variations in the table as figures have been rounded

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2. Due to the current financial environment, there is an ongoing need to review the programme, against the backdrop of rising inflation which is significantly increasing construction costs and rising interest rates which has seen the cost of borrowing increase dramatically.
3. Details of changes made since the start of the year, totalling a net increase of £4.12M can be found in Annex 1. Net addition of £0.15M has been added to the programme by delegated decisions and £3.97M addition requires approval, as detailed in paragraphs 4 to 12.
4. Approval is sought for the addition and spend of £0.68M to the Children & Learning programme, in 2024/25 to refurbish and repurpose Westwood House. The project will create a short-term assessment and residential unit for children with learning disabilities and Autism. This is a jointly funded project with the Integrated Care Board (previously CCG). This amount is the external contribution toward the project.
5. Approval is sought for the addition and spend of £0.88M to the Place programme for Safer Streets, in 2023/24. The council was awarded grant funding from the Department for transport (DFT) for improved safety works on the A3025 Portsmouth Road.
6. Approval is sought for the addition and spend of £0.48M to the Place programme for Active Travel Fund, in 2023/24. The council was awarded grant funding from DFT towards the existing cycling scheme on Bitterne Road East.
7. Approval is sought for the addition and spend of £0.23M to the Place programme for a number of smaller projects in 2023/24, detailed in the table below. These projects are as a direct result of S106 planning conditions and are therefore fully funding from S106 contributions.

Project	£M
Accessibility	0.06
ITS	0.11
Bus Corridor Minor Works	0.01
Highways Improvements (Developer)	0.03
Transforming Cities Fund	0.02

8. Approval is sought for the addition and spend of £1.71M to the HRA capital programme, in 2023/24 to provide additional housing in the City.
9. In January 2023 DLUHC introduced a £500 million capital fund for selected LAs to provide accommodation for families in need who have arrived in the UK under Ukrainian and Afghan resettlement and relocation schemes. Southampton City Council was provisionally identified as eligible for capital grant funding. As with other affordable housing provisions, grant funding was expected to be matched by a contribution from the authority's own capital programme.
10. The proposed funding was made up of £1.14M for Ukrainian Households, and £0.573M for bridging accommodation. The main housing element was expected to provide a minimum of 12 homes. The government funding equates to 40% of total capital costs (Average £72,000 grant per property) plus £20,000 per property. The bridging funding was to provide a minimum of 3 larger 4+bed homes to be allocated to households currently residing in bridging accommodation. For 'bridging element' housing,

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Government funding equates to 50% of total capital costs (Average £171,199 grant per property) plus £20,000 per property.

11. Due to the short mobilisation period of this scheme, and the lack of available funds in the HRA capital programme to match fund, and under emergency delegated decision, discussions with registered providers took place and Society of St James (SSJ), a Registered Provider in the city, agreed to work with SCC to deliver the requirements of the scheme by 30 November 2023. SCC signed a memorandum of understanding (MOU) between DLUHC and SCC and similarly we have a MOU in place between SCC and Society of St James (SSJ).
12. Under Financial Procedure Rules the Council is required to accept the funding to build in the contribution to SSJ into the HRA Capital programme.

Slippage and Rephasing

13. Slippage occurs where works are not expected to take place according to the provisions agreed in the capital programme. Re-phasing of capital expenditure is due to works being carried out sooner than anticipated, budget and funding is brought forward from future years to match the expenditure.
14. The programme is continually reviewed to ensure that all projects are accurately profiled, and budgets are suitably aligned to anticipated works and spend. As a result there is £4.51M of General Fund anticipated work in 2022/23 where work has slipped into later years. Details of schemes with major slippage and where any rephasing has been applied are provided in Annex 3.
15. Table 2 below summarises resulting net slippage and rephasing by individual capital programmes. There is zero net effect to the budgets over the 5-year capital programme. Approval is sought for the slippage of £4.51M from 2023/24 into later years.

Table 2 – Net Slippage	Movement in 2023/24 £M
Children & Learning	(0.88)
Corporate Services	(0.30)
Place	(3.33)
Strategy & Performance and CEO	0.00
Wellbeing & Housing	0.00
Total General Fund	(4.51)
Housing Revenue Account	0.00
Total Capital Programme	(4.51)

2023/24 Monitoring Position

16. The forecast performance of individual capital programmes in 2023/24 is summarised in Table 3.

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	Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
Children & Learning	14.40	13.22	(1.18)	(8.21)
Corporate Services	3.62	3.62	0.00	0.00
Place	101.02	101.02	0.00	0.00
Strategy & Performance and CEO	2.69	2.69	0.00	0.00
Wellbeing & Housing	0.92	0.92	0.00	0.00
Total General Fund	122.65	121.47	(1.18)	(0.96)
Housing Revenue Account	55.05	55.05	0.00	0.00
Total Capital Programme	177.70	176.52	(1.18)	(0.67)

Financed by

*CR - GF Borrowing	(35.63)	(35.67)	(0.04)	0.12
*CR - HRA Borrowing	(20.86)	(20.86)	0.00	0.00
Capital Receipts	(7.40)	(7.40)	0.00	0.00
Contributions	(13.79)	(13.79)	0.00	0.00
Capital Grants	(70.83)	(69.60)	(1.23)	(1.78)
Direct Revenue Financing	(3.30)	(3.30)	0.00	0.00
HRA – MRA	(25.89)	(25.89)	0.00	0.00
Total Funding	177.70	176.52	(1.18)	(0.67)

*CR – Council Resources

NB there may be small arithmetic variations in the table as figures have been rounded

17. The forecast spend for 2023/24 is £176.52M, giving a total forecast favourable variance of £1.18M. The reasons for the major forecast surplus/deficit variances are detailed in Annex 2.

Capital Resources

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

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20. It should be noted that the revised General Fund Capital programme is based on prudent assumptions of future government grants to be received. Most of these grants relate to funding for schools and transport and are un-ringfenced. However, in 2023/24 these grants have been passported to these areas.
21. Annex 4 details the current level of available resources. This shows that the largest resource currently un-earmarked is S106 developer contributions. This relates to receipts in the latter part of 2022/23 for which the works are still being scoped and will be added to the programme during 2023/24.

Overall Capital Programme and Financing

22. The revised overall programme by year, including amendments that are being requested as part of this report and use of resources, can be found in Annex 5.
23. The most significant amount of funding for the General Fund programme is provided by capital grants. There has been a drive to reduce borrowing costs, due to increasing interest rates, to avoid an unbudgeted pressure on the GF revenue account. The HRA programme is primarily funded by Major Repairs Reserve (direct revenue contribution).

RESOURCE/POLICY/FINANCIAL/LEGAL/RISK MANAGEMENT IMPLICATIONS:

Capital/Revenue

24. There is a revenue cost of providing the capital programme, through the interest cost of borrowing and the minimum revenue provision (MRP). MRP is the calculated annual charge to the revenue account of provision to repay debt incurred in respect of capital expenditure financed by borrowing or other long term credit arrangements (such as PFI) over a period that is commensurate with that over which the capital expenditure provides benefits. The cost of the current capital programme is including in the Medium Term Financial Strategy and is monitored and reported as part of the revenue financial monitoring.
25. A key indicator is the ratio of Capital Financing to the Net Revenue Budget of the council. Following the highly publicised over borrowing of some local authorities it is expected that CIPFA and central government will propose a strengthening to prudential limits by including upper limits on the level of borrowing. The council has introduced a ceiling for the above indicator, prior to any change to the Prudential Code, and set the General Fund at a maximum of 11% of Net Revenue Budget. It also needs to be in keeping with approach adopted of 'purposeful investment' i.e. does the investment reduce revenue expenditure/increase income: does it offset a future financial pressure: does it have a significant impact on the lives of residents?

Risk Management Implications

26. The council maintains a financial risk register which details the key financial risks that face the council at a given point in time and is reported as part of the Revenue Financial Monitoring report. It is from this register that the level of balances and reserves is determine, including a small reserve for capital funding. The main risks effecting the capital programme are:
 - Interest rates are underestimated, resulting in a higher cost of borrowing to fund the programme,

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- Slippage in capital receipts or grants are not secured, resulting in a funding gap,
- Inflation, impacting on construction costs and availability of suppliers.

Policy Framework Implications

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

Appendices/Supporting Information:

Annex 1 - GF & HRA Programme Changes Since Last Reported Position

Annex 2 - GF & HRA Major Forecast Variances as at June 2023

Annex 3 - GF & HRA Slippage & Rephasing as at June 2023

Annex 4 - GF Capital Resources Available as at June 2023

Annex 5 - GF & HRA Revised 5 Year Programme and Use of Resources

Annex 6 - GF HRA Revised 5 Year Programme by Portfolio

Further Information Available From:	Name:	Steve Harrison – Head of Financial Planning and Management
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GENERAL FUND & HRA: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Directorate	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source
<u>Additions to the Programme</u>				
Wellbeing & Housing	Local Authority Housing Fund (LAHF 1)	<u>1.71</u>	^	Government Grant
Children & Learning	Fire Safety Works - Mason Moor Primary	0.32	**	Government Grant
	Childrens Services- Assessment Unit	<u>0.68</u>	^	Government Grant
		<u>0.99</u>		
Place	Safer Streets	0.88	^	Government Grant
	Cycling - Active Travel Fund	0.48	^	Government Grant
	Accessibility	0.06	^	S106
	ITS	0.11	^	S106
	Bus Corridor Minor Works	0.01	^	S106
	Highways Improvements (Developer)	0.03	^	S106
	Transforming Cities Fund	<u>0.02</u>	^	S106
		<u>1.58</u>		
<u>Reductions to the Programme</u>				
Children & Learning	Schools Condition Works - Contingency	(0.17)	**	Government Grant
Total Variations to the Overall Programme		<u><u>4.12</u></u>		
		£M		
	* - Approved By Council/Cabinet	0.00		
	** - Approved under Delegated Powers	0.15		
	^ - Require Approval	<u>3.97</u>		
Total Variations to the Overall Programme		<u><u>4.12</u></u>		

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Forecast Major GF & HRA Variance Since Last Reported Position

	Children & Learning
1.	<p><u>St Marks School (Underspend of £1.20M)</u></p> <p>The scheme is nearing completion and the final account is being settled. It is forecast that an underspend of £1.2M is likely, which relates to contingency budget which was not required.</p>
	Place
2.	<p><u>Carriageways (Overspend of £0.47M)</u></p> <p>Unforeseen circumstances this year meant it has taken longer to lock-in a programme with BBLP and they have been unable to secure a sub-contractor to do a footway surface treatment programme, so a decision was taken to remove these from the Footway programme and add in additional roads to the same value in the roads programme.</p>
3.	<p><u>Footways (Underspend of £0.47M)</u></p> <p>Unforeseen circumstances this year meant it has taken longer to lock-in a programme with BBLP and they have been unable to secure a sub-contractor to do a footway surface treatment programme, so a decision was taken to remove these from the Footway programme and add in additional roads to the same value in the roads programme.</p>

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Major GF & HRA Slippage & Rephasing Since Last Reported Position

	Children & Learning
1.	<u>School Condition works (Slippage of £0.30M from 2023/24 to 2024/25)</u> Compass School Roof: It is not possible to undertake survey works during term time while the pupils are in situ. Due to the access restriction, it is unlikely that on site works can be commenced before summer 2024. The limited access is likely to require the works are undertaken in annual phases over the next 3 yrs. Therefore, it is likely that further re-profile will be needed once the results of the survey are known.
2.	<u>Early Years (Slippage of £0.12M from 2023/24 to 2024/25)</u> Newtown Early Years Nursery Roof: The brief has been completed. Work is being undertaken for design and scoping. We are aiming to go out to tender later in the year, but it is currently unknown when the works will start.
3.	<u>Townhill Roof (Slippage of £0.40M from 2023/24 to 2024/25)</u> The budget review obliged the professional service delivery be paused. When approval to proceed was given the delay led to a 'lead in' period as consultants 'remobilise' the design team. A requirement of the budget review was a rephasing of the works stages, this revision led to further delays in commencing the design stage. The cumulative delays occasioned by the budget review has also led to missing the primary period, summer 2023, for progressing the works. It is unlikely that on site works can be commenced before last quarter 2023/24.
	Place
4.	<u>Future Transport Zone (Slippage of £2.83M from 2023/24 to 2024/25)</u> Predominantly as a result of rephasing project delivery following the approved (by DfT as grant funder) one year extension to the programme. This delay has had an impact on factors beyond our direct control (e.g. recruitment, commissioning/contracting delays, supply chain issues).
5.	<u>River Itchen Flood Alleviation Scheme (RIFAS) (Slippage of £0.50M from 2023/24 to 2024/25)</u> Slippage from 2023/24 to 2024/25 is due to delay in delivery of the Full Business Case for the RIFAS due to increased programme costs requiring a different delivery approach and prolonged contract negotiations with suppliers for next stage delivery. Project Board / Sponsor Group agreed (June 2023) to reprofile SCC contribution to account for one year delay of scheme delivery and for contribution post Programme Health Check in June 2025 (reduces council capital programme risk).
	Corporate Services
6.	<u>CareDirector (Slippage of £0.30M from 2023/24 into 2024/25)</u> Due to a number of staff vacancies, which have not been filled due to recruitment freeze, project delivery has been delayed and will continue into 2024/25.

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Appendix 12

Capital Resources Available as at June 2023 (Capital Receipts; Community Infrastructure Levy and Section 106 funds)

Resource	Balance Bfwd £M	Received to Date 2023/24 £M	Allocated to Current Programme £M	Available Funding £M	Anticipated Receipts in Year £M
Capital Receipts	(1.73)	(0.00)	2.68	(0.00)	(0.95)
CIL	(6.11)	(0.25)	20.39	(0.00)	(4.03)*
S106	(8.56)	(0.13)	6.29	(2.40)	(0.25)
	(26.83)	(0.50)	28.63	(1.64)	(4.28)

*A further £12M anticipated in future years

General Fund Capital Receipts Forecast

	Bfwd £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Current Forecast	(1.73)	(0.95)	(0.00)	0.00	(0.35)	0.00	(3.03)

NB. there may be small arithmetic variations in the table as figures have been rounded

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Agenda Item 10

Appendix 13

General Fund & HRA - Revised 5 Year Programme Totals and Use of Resources

Programme Comparison

	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Revised Programme	177.69	145.11	106.89	103.43	31.42	564.54
Previous Programme	178.76	139.93	106.89	103.43	31.42	560.42
Movement	(1.06)	5.18	0.00	0.00	0.00	4.12

Programme	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Children & Learning	14.40	10.47	9.13	25.82	0.00	59.82
Corporate Services	3.62	1.32	0.00	0.00	0.00	4.94
Place	101.02	57.17	29.05	51.11	1.00	239.35
Strategy & Performance and CEO	2.69	0.00	0.00	0.00	0.00	2.69
Wellbeing & Housing	0.92	1.12	0.00	0.00	0.00	2.04
Total General Fund	122.65	70.08	38.18	76.93	1.00	308.84
Housing Revenue Account	55.05	75.03	68.71	26.49	30.42	255.70
TOTAL CAPITAL PROGRAMME	177.69	145.11	106.89	103.43	31.42	564.54

Use of Resources

*CR - GF Borrowing	(35.63)	(18.85)	(13.63)	(32.97)	0.00	(101.08)
*CR - HRA Borrowing	(20.86)	(39.46)	(49.52)	(11.49)	(8.78)	(130.11)
Capital Receipts	(7.40)	(5.17)	0.00	(0.33)	0.00	(12.90)
Direct Revenue Financing	(13.79)	(10.47)	(8.06)	(1.25)	(1.00)	(34.57)
Capital Grants	(70.83)	(39.40)	(16.49)	(42.38)	0.00	(169.11)
Contributions	(3.30)	(1.06)	(0.48)	(0.48)	(1.28)	(6.59)
HRA – MRA	(25.89)	(30.69)	(18.71)	(14.52)	(20.36)	(110.18)
Total Financing	(177.69)	(145.11)	(106.89)	(103.43)	(31.42)	(564.54)

*CR – Council Resources

NB. there may be small arithmetic variations in the tables as figures have been rounded

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General Fund & HRA - Programme Comparison by Portfolio

(Annex 5) – recast by Portfolio

Programme	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Adults, Housing & Health	5.45	3.02	0.00	0.00	0.00	8.47
Children & Learning	14.40	10.47	9.13	25.82	0.00	59.82
Communities & Leisure	4.80	15.00	9.00	1.01	0.00	29.80
Economic Development	3.08	0.00	0.00	0.00	0.00	3.08
Environment & Transport	78.72	34.55	19.22	50.11	1.00	183.59
Finance & Change	12.20	1.32	0.00	0.00	0.00	13.51
Leader	4.01	5.72	0.84	0.00	0.00	10.56
Total General Fund	122.65	70.08	38.18	76.93	1.00	308.84
Housing Revenue Account	55.05	75.03	68.71	26.49	30.42	255.70
TOTAL CAPITAL PROGRAMME	177.69	145.11	106.89	103.43	31.42	564.54

Table 1 – Changes to Programmes – recast by Portfolio

	Latest Programme £M	Previous Programme £M	Total Change £M
Adults, Housing & Health	8.47	8.47	0.00
Children & Learning	59.82	59.00	0.83
Communities & Leisure	29.80	29.80	0.00
Economic Development	3.08	3.08	0.00
Environment & Transport	180.14	178.56	1.58
Finance & Change	16.96	16.96	0.00
Leader	10.56	10.56	0.00
Total GF Capital Programme	308.84	306.43	2.41
Housing Revenue Account	255.70	253.99	1.71
Total Capital Programme	564.54	560.42	4.12

NB. there may be small arithmetic variations in the table as figures have been rounded

Table 2 – Net Slippage

	Movement in 2023/24 £M	Appendix 3 Ref
Adults, Housing & Health	0.00	-
Children & Learning	(0.88)	1-3
Communities & Leisure	0.00	-

Economic Development	0.00	-
Environment & Transport	(3.33)	4-5
Finance & Change	(0.30)	6
Leader	0.00	-
Total General Fund	(4.51)	
Housing Revenue Account	0.00	-
Total Capital Programme	(4.51)	

NB. there may be small arithmetic variations in the table as figures have been rounded

DECISION-MAKER:		OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE	
SUBJECT:		SCRUTINY INQUIRY 2023/24 - SHORTLIST	
DATE OF DECISION:		10 AUGUST 2023	
REPORT OF:		SCRUTINY MANAGER	
<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director – Corporate Services	
	Name:	Mel Creighton	Tel: 023 8083 3528
	E-mail	Mel.creighton@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
	E-mail	Mark.pirnie@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
This Committee is responsible for identifying the topic for the annual scrutiny inquiry. Following consultation, the Chair has identified a shortlist of potential subjects. The Committee are asked to consider the shortlisted subjects and identify a preferred topic for the 2023/24 inquiry.			
RECOMMENDATIONS:			
	(i)	That the Committee considers the shortlist of subjects for the 2023/24 scrutiny inquiry and identifies a preferred topic for which terms of reference can be developed for consideration at the September 2023 meeting of the Committee.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To enable the scrutiny inquiry to commence in October 2023.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	A number of suggested topics have been rejected to enable a shortlist to be developed.		
DETAIL (Including consultation carried out)			
3.	Each year the Scrutiny Inquiry Panel undertakes an inquiry that looks in detail at a specific issue with the objective of improving outcomes in Southampton. A list of completed inquiries can be accessed via - Completed inquiries (southampton.gov.uk) .		
4.	It is the role of the Overview and Scrutiny Management Committee (OSMC) to determine the inquiry topic for the Scrutiny Inquiry Panel to undertake, and to agree outline terms of reference for the inquiry.		

5.	In June and July 2023 requests were made to elected members, the Council's Executive Management Team and the public, via the Council's website, for suggestions for the 2023/24 scrutiny inquiry.
6.	From the suggestions submitted, the Chair, in consultation with the Scrutiny Manager, has developed a shortlist of topics from which the Committee are asked to identify a preferred subject.
7.	Whilst the criteria employed is not prescriptive, in general it is recommended that the topic for an inquiry should: <ul style="list-style-type: none"> • Not be overtly political • Reflect an issue impacting on the city • Be something that the city can influence • Be linked to corporate objectives • Preferably be an issue that is beginning to attract national attention.
Shortlist	
8.	The Committee are asked to select a preferred topic from the following suggestions: <ul style="list-style-type: none"> a. Gambling harms b. How do we get a better deal for private sector renters in Southampton? c. Increasing participation in grassroots sport and physical activity d. Using digital technology to manage health and social care e. Making high density living work in Southampton f. Delivering Destination Southampton
9.	It is proposed that outline terms of reference for the preferred topic will be developed for consideration and approval at the 14 September 2023 meeting of this Committee.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
10.	None.
<u>Property/Other</u>	
11.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
13.	None
RISK MANAGEMENT IMPLICATIONS	
14.	None

POLICY FRAMEWORK IMPLICATIONS		
15.	None	
KEY DECISION		No
WARDS/COMMUNITIES AFFECTED:		None directly as a result of this report
<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 Assessments (ESIA) to be carried out?		No
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		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	

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DECISION-MAKER:		OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE	
SUBJECT:		MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE	
DATE OF DECISION:		10 AUGUST 2023	
REPORT OF:		SCRUTINY MANAGER	
<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director – Corporate Services	
	Name:	Mel Creighton	Tel: 023 8083 3528
	E-mail	Mel.creighton@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
	E-mail	Mark.pirnie@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
This item enables the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.			
RECOMMENDATIONS:			
	(i)	That the Committee considers the responses from the Executive to recommendations from previous meetings and provides feedback.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To assist the Committee in assessing the impact and consequence of recommendations made at previous meetings.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None.		
DETAIL (Including consultation carried out)			
3.	Appendix 1 of the report sets out the recommendations made to the Executive at previous meetings of the Overview and Scrutiny Management Committee (OSMC). It also contains a summary of action taken by the Executive in response to the recommendations.		
4.	The progress status for each recommendation is indicated and if the OSMC confirms acceptance of the items marked as completed they will be removed from the list. In cases where action on the recommendation is outstanding or the Committee does not accept the matter has been adequately completed, it will be kept on the list and reported back to the next meeting. It will remain on the list until such time as the Committee accepts the recommendation as completed. Rejected recommendations will only be removed from the list after being reported to the OSMC.		

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
5.	None.
<u>Property/Other</u>	
6.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
8.	None
RISK MANAGEMENT IMPLICATIONS	
9.	None.
POLICY FRAMEWORK IMPLICATIONS	
10.	None
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Monitoring Scrutiny Recommendations – 10 August 2023
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	No
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 Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

Overview and Scrutiny Management Committee: Holding the Executive to Account

Scrutiny Monitoring – 10 August 2023

Date	Portfolio	Title	Action proposed	Action Taken	Progress Status
13/07/23	Finance & Change	Medium Term Financial Strategy Update	1) That the monthly budget report that is being prepared for Cabinet is shared with the OSMC Chair.	Response to be provided in advance of the 10 August OSMC meeting	
			2) That, whilst recognising the requirement for timely action, the Executive commits to ensuring transparency and openness in the budget decision making process moving forward.	Response to be provided in advance of the 10 August OSMC meeting	
			3) That this Committee coordinates activity with the Governance Committee to ensure effective oversight and reduce unnecessary duplication.	Agreed. Whilst recognising the distinctive roles played by Audit and Scrutiny, regular dialogue will be scheduled between the Chair of the Governance Committee and the Chair of the OSMC to support a co-ordinated approach.	
			4) That, to support member oversight, local government finance training is offered to all councillors, and workshops are organised for members to discuss ongoing financial issues.	Response to be provided in advance of the 10 August OSMC meeting	
			5) That a visit is undertaken by the Executive to Portsmouth City Council to understand how they have managed to maintain spending levels at an affordable level.	Response to be provided in advance of the 10 August OSMC meeting	
			6) That the revised CIPFA report is shared with the Committee when it is available.	Response to be provided in advance of the 10 August OSMC meeting	
			7) That, to increase the sum of money owed to the Authority that is paid on time and in full, the Executive reviews the	Response to be provided in advance of the 10 August OSMC meeting	

Date	Portfolio	Title	Action proposed	Action Taken	Progress Status
			Council's charging, collection and debt management processes.		
			8) That the Executive reviews the Council's charging policy and that the review is informed by comparisons with Southampton's statistical neighbour authorities.	Response to be provided in advance of the 10 August OSMC meeting	
			9) That, to support the funding of essential transformation activity, the Executive ensures that the Council's Asset Register is kept up to date to enable the efficient disposal of the most appropriate assets.	Response to be provided in advance of the 10 August OSMC meeting	
			10) That, reflecting the significant increase in the number of people employed by the City Council over recent years, the Committee is provided with a breakdown of staff numbers, by service area, over the past 5+ years, alongside relevant supporting information.	Response to be provided in advance of the 10 August OSMC meeting	
			11) That, to improve outcomes and value from procurement activity, consideration is given to: <ul style="list-style-type: none"> • Identifying opportunities to streamline the Council's procurement processes. • Extracting additional value by combining similar individual capital project procurement activity into larger, single tender processes. • Merging the Council's two procurement teams into a single entity. 	Response to be provided in advance of the 10 August OSMC meeting	

Date	Portfolio	Title	Action proposed	Action Taken	Progress Status
			requests an update on the approved inquiry recommendations that relate to the Council's communications and information standards.	suggestions which were taken on before the document was finalised in December 2022. The standard is available for employees to support communications and activities to be as accessible as possible.	