

Public Document Pack

Cabinet

Tuesday, 21st February, 2023
at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber, Civic Centre

Members

Leader – Councillor Kaur

Deputy Leader and Cabinet Member for Children and
Leaning – Councillor Dr Paffey

Cabinet Member for Finance and Change – Councillor
Leggett

Cabinet Member for Housing and Green Environment –
Councillor Mitchell

Cabinet Member for Economic Development – Councillor
Bogle

Cabinet Member for Health, Adults and Leisure –
Councillor Fielker

Cabinet Member for Transport and District Regeneration -
Councillor Keogh

Cabinet Member for Safe City – Councillor Renyard

Cabinet Member for Communities and Customer
Engagement – Councillor Kataria

(QUORUM – 3)

Contacts

Cabinet Administrator

Judy Cordell

Tel. 023 8083 2766

Email: judy.cordell@southampton.gov.uk

Director of Legal and Business Services

Richard Ivory

Tel: 023 8083 2794

Email: richard.ivory@southampton.gov.uk

BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

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

The Forward Plan

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

Implementation of Decisions

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

Mobile Telephones – Please switch your mobile telephones or other IT 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.

Municipal Year Dates (Tuesdays)

2022	2023
14 June	17 January
19 July	7 February
16 August	21 Feb (budget)
13 September	14 March
18 October	18 April
15 November	
20 December	

Executive Functions

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

Key Decisions

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

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

Procedure / Public Representations

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

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

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

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

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

CONDUCT OF MEETING

TERMS OF REFERENCE

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

RULES OF PROCEDURE

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

DISCLOSURE OF INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or

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

BUSINESS TO BE DISCUSSED

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

QUORUM

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

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 APOLOGIES

To receive any apologies.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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

EXECUTIVE BUSINESS

3 STATEMENT FROM THE LEADER

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

There are no matters referred for reconsideration.

5 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)

There are no items for consideration

6 EXECUTIVE APPOINTMENTS

To deal with any executive appointments, as required.

ITEMS FOR DECISION BY CABINET

7 ITCHEN BRIDGE TOLL INCREASE AND REMOVAL OF EV CONCESSION

(Pages 1 - 20)

To consider the report of the Cabinet Member for Transport and District Regeneration on a proposed increase in the Itchen Bridge Toll and the proposed removal of the Itchen Bridge Electric Concession.

8 FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2022

(Pages 21 - 90)

To consider the report of the Cabinet Member for Finance and Change setting out the financial monitoring for the period to the end of December 2022.

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

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

Appendix 7 is exempt from publication by virtue of category 3 of rule 10.4 of the Council's Access to Information Procedure Rules i.e. information relating to the financial or business affairs of any particular person. It is not in the public interest to disclose this information due to an ongoing commercial dispute which is subject to a protected alternative dispute resolution procedure. If the information was disclosed then the Council's financial position would be available to other parties to the dispute and prejudice the Council's ability to achieve best value.

10 THE REVENUE BUDGET 2023/24, MEDIUM TERM FINANCIAL STRATEGY AND CAPITAL PROGRAMME (Pages 91 - 288)

To consider the report of the Cabinet Member for Finance and Change detailing the Revenue Budget 2023/24, Medium Term Financial Strategy and Capital Programme.

Monday, 13 February 2023

Director of Legal and Business Services

1 "
2 "

Agenda Item 7

DECISION-MAKER:	CABINET
SUBJECT:	ITCHEN BRIDGE TOLL INCREASE AND REMOVAL OF ELECTRIC VEHICLE CONCESSION
DATE OF DECISION:	21 FEBRUARY 2023
REPORT OF:	COUNCILLOR KEOGH CABINET MEMBER FOR TRANSPORT AND DISTRICT REGENERATION

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director for Growth	
	Name:	Adam Wilkinson	Tel: 023 8254 5853
	E-mail	adam.wilkinson@southampton.gov.uk	
Author:	Title	Service Manager for Parking and Itchen Bridge	
	Name:	Richard Alderson	Tel: 023 8083 2725
	E-mail	richard.alderson@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
N/A	
BRIEF SUMMARY	
<p>The Council has proposed a) an increase in the Itchen Bridge Toll for Class 2 vehicles from £0.80 to £1.00 (peak) and from £0.70 to £0.80 (off peak) and b) to remove the Electric Vehicle concession. This purpose of the proposals is to ensure that the toll continues to be effective at managing vehicle crossings following increases in inflation. The Council has not proposed increasing the discounted toll rate that is only available to Southampton residents via use of a Smart Cities Card. This is to be maintained at £0.40 during peak periods and £0.30 in off peak periods and reflects the local nature of the traffic the concession is designed to support. The Council has carried out a consultation on the proposals. 169 responses were received, of which 137 were registered as objections to the proposals. Officers do not consider that any overriding reasons were submitted for not implementing the changes.</p>	
RECOMMENDATIONS:	
(i)	To implement the proposed Itchen Bridge toll increase for Class 2 vehicles from £0.80 to £1.00 during peak periods and £0.70 to £0.80 during off peak periods.
(ii)	To remove the Electric Vehicle concession.
REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that the toll prompts drivers to make a meaningful decision about using the Itchen Bridge crossing following increases in inflation, so as to manage congestion along the A3025 and to further safeguard the financial position and future prospects of the bridge including maintenance and enhancements.

2.	To ensure that crossings by Electric Vehicles are now managed in the same way as other traffic, so as to manage congestion along the A3025 and to further safeguard the financial position and future prospects of the bridge.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	Not increasing the Toll could see increased use of the bridge to the detriment of traffic flow along the A3025.
4.	Not removing the electric vehicle concession which could see use of the bridge increase to the detriment of traffic flow along the A3025 and decreased revenue for future bridge maintenance as more drivers move across to electric vehicles.
DETAIL (Including consultation carried out)	
5.	<p>The Itchen Bridge first opened in June 1977 and since that date, a toll has been maintained on the crossing. The reasons for maintaining the toll as outlined in Section 22 of the Hampshire Act 1983 (see Appendix 1) are to secure the financial and future prospects of the bridge and the need to control the composition and flow of traffic over the bridge so as to avoid causing traffic congestion in areas adjacent to the bridge and so as to preserve the character and amenities of those areas.</p> <p>It is unusual for a local authority to have sole financial responsibility for a bridge of this size and structure. The national government has not provided funding for the construction, maintenance or upkeep. As it does not serve a key strategic transport route, it is unlikely that the national government would agree to underwrite the bridge as it has done for the Severn River crossing.</p> <p>The bridge provides a crossing of the River Itchen for the A3025 (or Portsmouth Road). Of the six main radial routes into Southampton City Centre, the A3025 is the only one where both of the following factors apply;</p> <ul style="list-style-type: none"> a) The route has a direct link to a motorway route and, b) The route is constrained by being single carriageway along it's entire length. <p>There is no scope to widen the A3025 in any meaningful way, due to the number of properties that directly abut the public highway along it's route.</p> <p>For these reasons, it would be challenging for the Council to remove the toll or maintain it at a set level for sustained periods of time.</p>
6.	<p>Due to the recent increases in inflation, the Council has therefore determined to propose an increase in the toll for Class 2 vehicles from £0.80 to £1.00 during peak periods and from £0.70 to £0.80 during off peak periods, to ensure that the toll continues to prompt drivers to make a meaningful decision about using that route. The toll was last increased for Class 2 vehicles in 2019 from a rate of £0.60 (peak) and £0.50 (off peak).</p> <p>The proposed toll increase is broadly in line with inflation since 2019, with items/services costing £0.80 in that year increasing to £0.97 in 2023 and items/services costing £0.70 increasing to £0.85.</p>

	<p>The Council has not proposed increasing the discounted toll rate that is only available to Southampton residents via use of a Smart Cities Card. This is to be maintained at £0.40 during peak periods and £0.30 in off peak periods and reflects the local nature of the traffic the concession is designed to support.</p> <p>It is recommended that the Toll Increase is implemented on 1st April 2023.</p>
7.	<p>The Council has also determined to propose removing the Electric Vehicle concession which enables electric vehicles to make the crossing without charge. The Council introduced concessions for electric vehicles crossing the Toll Bridge in 2018 for the purpose of promoting early uptake of electric vehicle use as part of an overall package to improve air quality within the boundary of Southampton. The concession enables drivers of electric vehicles to cross the Itchen Bridge for free, provided that the user lives within the boundary of Southampton or the Regional Concession Zone (formed of the following Local Authority boundaries - New Forest, Test Valley, Eastleigh, Winchester, Fareham, Gosport, Havant and Portsmouth) and that the vehicle was registered/leased to the property in question. Businesses in the Local Concession Zone (formed of the Woolston Ward) are also permitted to apply for an electric vehicle concession provided that the vehicle is again registered to a property within that zone.</p> <p>The Electric Vehicle concession was not intended to be in place indefinitely. This has been highlighted on the Council's website and application forms since the concession was introduced. In February 2022, there were 153 electric vehicle concessions in circulation. This has now increased to 210. Removing the concession at this stage will ensure that crossings made by electric vehicles are managed in the same way as other vehicles and encourage drivers to make a meaningful decision about using that route.</p> <p>It is recommended that the option to apply for an electric vehicle is removed on 31st March 2023. It is recommended that existing Electric Vehicle concessions which are valid for one year be allowed to expire at the 12 month date given when the application was made. This would honour the policy which may have prompted some drivers to invest in an electric vehicle within the last 12 months, for a reasonable period.</p>
8.	<p>These proposals were advertised on Friday 9th December 2022.</p> <p>During the consultation period, the Council received a total of 169 responses. 137 of these were registered as an objection to the proposals. 19 were registered as being as in support of the proposals. 13 were registered as comments.</p> <p>A summary of the objections and the officer response is attached as Appendix 2. Officers are of the view that there were no objections that constituted an overriding consideration to the proposals.</p>

9.	The primary purpose of increasing the toll is to ensure that it continues to prompt drivers to make a meaningful decision about using the A3025 route and manage congestion and impact on amenity on the approaches to the bridge. A toll increase will nonetheless have an impact on the revenue generated by the toll and the projected budget impact is outlined in resource implications.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
10.	Toll revenue arising from the proposed Toll Increases is projected to generate an additional £0.4M per annum which will commence in 2023/24 financial year.
11.	Toll revenue arising from the removal of the Electric Vehicle concession is projected to generate £0.014M per annum. Because the existing EV concessions would be allowed to expire within the timeframe from the original customer application, the amount expected for 2023/24 is £0.01M.
12.	<p>Surplus revenue generated by the toll contributes to maintenance of the bridge, the highway and the maintenance of the toll plaza equipment. While the Council may not have direct cause to use the surplus for maintenance in any given year, there are associated costs (Highways contract, Street lighting contract) that are drawn from the general fund.</p> <p>The Council has scheduled works in 2024/25 costing £4.5M to replace drainage, reconstruct the footways, provide new surfacing across the whole bridge and to install safety measures. Some of this will create a borrowing cost in the general fund for capital financing to which the revenue from the Itchen Bridge will contribute funding.</p>
<u>Property/Other</u>	
13.	N/A
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
14.	The statutory powers to manage the Itchen Bridge crossing by means of Toll payment are set out in Section 22 of the Hampshire Act 1983.
<u>Other Legal Implications:</u>	
15.	In reaching a decision on increasing toll charges, or removing concessions the Council has had regard to its legal duties under the Equalities Act 2010 and Crime & Disorder Act 1998 together with other relevant pervasive legislation. No adverse equality impact has been identified that cannot be addressed through existing mitigation measures relating to tolls and class of vehicle usage already in effect for the bridge.
RISK MANAGEMENT IMPLICATIONS	
16.	The proposals carry a low risk of Financial impact as they will likely result in a revenue increase. The proposals carry a low impact to Service Delivery as

	there is no direct impact to other Council projects. While the increase in revenue will assist in financing works to the bridge in 2024/25, the finance for this project will come from borrowing. The proposals carry a moderate impact to Reputation given local interest in the Itchen Bridge Toll. However, the overall response to the consultation was not significant relative to the population of Southampton, and Southampton residents will continue to benefit from a reduced toll via the Smart Cities Card.
POLICY FRAMEWORK IMPLICATIONS	
17.	The proposals are in accordance with the Southampton City Council's Local Transport Plan – Connected Southampton Transport Strategy 2040, specifically the Sustainable Growth section of the plan, which looks to reduce growth in the amount of traffic coming into Southampton and ensuring the transport asset is in a good condition and can accommodate the demands placed upon it.
18.	The proposals are also in accordance with the Southampton City Strategy 2015-2025 and the Southampton Highway Infrastructure Asset Management Policy 2019-2021

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	ALL
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Section 22 of the Hampshire Act 1983
2.	Summary of Consultation Feedback and Officer Response
3.	Delegated Decision Notice
4.	ESIA
5.	Public Notice

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

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

Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
--	-----------

Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules /
-------------------------------------	--

		Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

Hampshire Act 1983 - Section 22

Tolls

22.—(1) The county council may demand, take and recover in Tolls. respect of all or any class of traffic passing over or on the bridge, other than pedestrians, tolls not exceeding those specified in any order made under this Part (or under Part III of the Southampton Corporation Act 1973) and for the time being in force; and for any 1973 c. xix. other services rendered by the county council in connection with the bridge, such reasonable charges as they think fit.

(2) Subject to subsection (4) below, the power to make an order under this section includes power to make an order amending or revoking any earlier order made hereunder (or under section 15 of the Southampton Corporation Act 1973), including power to make an order whereby the council cease to demand, take and recover tolls or tolls in respect of any specified class of traffic, or resume demanding, taking and recovering tolls.

(3) In exercising their powers under this section the county council shall have regard to—

first, the financial position and future prospects of the bridge; secondly, the need to control the composition and flow of traffic over the bridge so as to avoid causing traffic congestion in areas adjacent to the bridge and so as to preserve the character and amenities of those areas; and thirdly, whether to allow any class of traffic to use the bridge without payment of tolls or on payment of tolls at a reduced rate either generally or during specified hours or on specified occasions—

(a) where the grant of any such concession would assist the disabled or aged;

22

c. v

Hampshire Act 1983

PART V
—cont.

(b) where, in the opinion of the county council the grant of any such concession for a limited period would be desirable in the interests of assisting the establishment of industry or commerce in the city;

(c) where the traffic is of a local character.

(4) If an order for the time being in force has been made by the Secretary of State in pursuance of section 23 (Revision of tolls by Secretary of State) of this Act, the county council may not make a further order revising all or any of the tolls or any classification of traffic specified in any such order unless—

(a) a period of not less than 12 months has elapsed since the making of the order by the Secretary of State; and

(b) the county council have notified the Secretary of State of their intention to make such an order and considered any observations of the Secretary of State; and

(c) in the opinion of the county council there has been, since the date of the making of the order by the Secretary of State, a material change in any of the circumstances relating to any of the matters referred to in subsection (2) above.

(5) Before making an order under this section the county council shall give notice by advertisement in one or more local newspapers circulating in the city stating the contents of the proposed order and shall take into consideration any objections or representations in respect of the proposed order made within 28 days of the first publication of the notice.

This page is intentionally left blank

Appendix 2 – Summary of Consultation Feedback and Officer Response

Ref	Issue	Response
1	<p>General objections to the increase in costs. Often with reference to recent increases in the cost of living having reduced the ability of many to pay additional charges.</p> <p>Example comments:</p> <p><i>“With the cost of living crisis and the fuel already too much for most too afford , you now want to hike up the bridge cost too ? People won’t be able to afford to get to and from work and what with first bus pulling out of Southampton. And the blue star buses often running late or not enough route , some people need to use cars so they can take their kids to school then go to work.”</i></p> <p><i>“Current charges have only recently increased, to increase further by such a high percentage is unfair to those who use the bridge regularly for work. There is no clear rationale to justify such a high % increase.”</i></p>	<p>The increase is to ensure that the toll is effective at managing the number of crossings made by non-local traffic in Class 2 vehicles, and to ensure that the toll remains effective at managing the number of crossings.</p> <p>At 20p (peak) and 10p (off-peak), the increases are considered a relatively minor proportion of the overall cost of car ownership and there are alternative routes available for those who do not wish to pay the toll.</p> <p>The proposed toll increase is broadly in line with inflation since 2019, with items/services costing £0.80 in that year increasing to £0.97 in 2023 and items/services costing £0.70 increasing to £0.85.</p> <p>Local residents within the concession zone for whom the alternative routes are less viable, are eligible for the reduce concessionary toll via the SmartCities card.</p>
2	<p>Objections by residents in non-Southampton City Council areas east of the city (e.g. Netley) who believe they should be eligible for the reduced concessionary toll.</p> <p>Example comments:</p> <p><i>“We live in netley and it's the easiest way into town through Newtown road and why we do not qualify for reduced rate like we did when we lived in sholing and as the crow flies further away than we live now. And because we come under hampshire we can't even get a cheap bus to town literally been cut off and now cheaper for us to go and spend our money in Portsmouth”</i></p> <p><i>“As a resident in Netley Abbey and works in Southampton, how can it be justified that I have to pay over double than someone who resides less than half a mile from myself but in Southampton Council jurisdiction.”</i></p>	<p>It is not considered appropriate to expand the concessionary zone, as it is intended to provide a reduced toll to those for whom the alternative routes are less viable.</p>

3	<p>Concerns that increasing the toll will force more vehicles to undertake lengthy detours to other bridges causing unnecessary air pollution and congestion.</p> <p>Examples comments:</p> <p><i>“It may cause people to take unnecessary detours to the other bridges to get from one side of Southampton to the other, which would cause more air pollution and congestion elsewhere”</i></p> <p><i>“When you have to pay to check on a person that lives that side of the water i now cannot afford to use the bridge so i now take the long way round adding fumes to your area”</i></p>	<p>The toll is intended to manage the number of vehicles using the bridge and therefore congestion in the local area. It is accepted and intended that some vehicles will use other routes. While there would be impact on air pollution through longer journeys, this would likely be offset by the associated reduction in congestion and not be an overriding consideration.</p>
4	<p>The tolls were originally intended to pay for the construction of the bridge. Now this has been paid for the toll should be removed.</p> <p>Example comments:</p> <p><i>“The bridge is already paid for and should no longer be a charge. However if a charge is due it should be minimal such as 10 or 20p. If you want to promote people coming to town don't make it difficult to come in!”</i></p> <p><i>“Residents of Southampton have been paying to cross this bridge since 1977. Surely it is now time to get rid of these tolls. An increase is an insult to Residents who already pay a huge amount in council tax.”</i></p>	<p>While there is a frequently repeated claim that the Council had stated that the tolls would be removed once the original construction costs of the bridge had been repaid, there is no record of this statement having been made by the Council</p> <p>The legal power to collect the tolls is provided by the Hampshire Act 1983 and it is made clear that when determining the charge, the Council must have regard to the financial position and future prospects of the bridge and the need to control the composition and flow of traffic over the bridge so as to avoid causing traffic congestion in areas adjacent to the bridge and so as to preserve the character and amenities of those areas.</p> <p>Removing the toll would cause significant congestion issues in the vicinity of the bridge and is not considered appropriate.</p>

5	<p>The electric vehicle concessionary toll should be retained.</p> <p>Example comments:</p> <p><i>"I think you should continue to allow electric cars free passage over the bridge until 2025 to encourage electric vehicle adoption in Southampton."</i></p> <p><i>"Electric vehicles are far from main stream and never will be if all the incentives are taken away. We've 3 electric cars in household all circa 1 year old and believe it or not free toll bridge was a factor in buying Disgraceful if you enforce payment same as diesel guzzlers"</i></p>	<p>The provision of an electric vehicle concessionary toll was provided as a temporary incentive to encourage the take-up of electric vehicles. As the toll is intended to manage the number of vehicles using the bridge and therefore congestion in the local area, which electric vehicles are part of, it was always intended for this to be removed as the number of electric vehicles increased.</p>
6	<p>Taxi drivers should be exempt from paying the toll as they provide a public service.</p> <p>Example comments:</p> <p><i>"The taxi and private hire vehicle's should get a discounted rate, as we use the bridge alot, we cannot afford any more price increases ."</i></p> <p><i>"Taxi drivers with a Southampton badge should get same discount on toll bridge ,whether they live in Southampton or Scotland or Bournemouth as in my case"</i></p>	<p>There are no current plans to provide a specific concessionary toll for taxi drivers. It is however, noted they are able to utilise any of the existing concessionary tolls for which they are eligible.</p>
7	<p>Queries whether an increases to cover operating costs are warranted following automation of the Toll Plaza.</p> <p>Example comments:</p> <p><i>"The operating costs were supposedly reduced when automation of the bridge barriers was done."</i></p> <p><i>"I fail to understand how costs can have increased when there are no people being provided with a job physically collecting money anymore."</i></p>	<p>The lanes are still monitored by a team of employees based in the Toll Plaza office who respond to any customer calls via the intercoms and address any faults with the lanes.</p> <p>There are around 18,000 to 21,000 movements through the Toll Plaza per day. Therefore, while automated, the toll equipment needs regular maintenance which is carried out by the Parking Maintenance team and via a maintenance contract with equipment supplier.</p>

This page is intentionally left blank

Directorate:	Place
Decision Maker	Pete Boustred (Head of Green City and Infrastructure)
Subject	Traffic Regulation Order to propose an amendment to the Toll Order to increase the Toll and to remove the Electric Vehicle Concession
Register of Delegated Powers Reference Number or Cabinet Decision Number:	Officer Scheme of Delegation 14.16

Decision Reason	<p>Decision</p> <p>To approve the formal advertisement of a Traffic Regulation Order to propose an amendment to the Toll Order as outlined below;</p> <p>Under Schedule 2 amend/add the columns as shown below (Note the Disabled Concession remains unchanged)</p> <table border="1"> <thead> <tr> <th>Class</th> <th>Maximum Toll</th> <th>Residents Concession</th> <th>Local Resident Concession</th> <th>Local Commercial Concession</th> <th>Regional Resident Concession</th> <th>Local Taxi Concession</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>2 (off peak)</td> <td>80p</td> <td>30p</td> <td>30p</td> <td>30p</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>2 (peak)</td> <td>£1.00</td> <td>40p</td> <td>40p</td> <td>40p</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>3</td> <td>£1.40</td> <td>N/A</td> <td>60p</td> <td>60p</td> <td>N/A</td> <td>80p</td> </tr> <tr> <td>4</td> <td>£25</td> <td>N/A</td> <td>£2</td> <td>£2</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>5 (off Peak)</td> <td>70p</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>Free</td> </tr> <tr> <td>5 (Off Peak)</td> <td>80p</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>Free</td> <td>Free</td> </tr> </tbody> </table> <p>Removal of all text relating to Class 5 and the Regional Resident Concession</p> <p>Reason</p> <p>To ensure that the toll is effective at managing the number of crossings made by non - local traffic in Class 2 and Class 3 vehicles</p> <p>To ensure that the toll is effective at managing the number of crossings made by all motorised vehicles with 4 or more wheels</p>	Class	Maximum Toll	Residents Concession	Local Resident Concession	Local Commercial Concession	Regional Resident Concession	Local Taxi Concession	1	Free	Free	Free	Free	N/A	N/A	2 (off peak)	80p	30p	30p	30p	N/A	N/A	2 (peak)	£1.00	40p	40p	40p	N/A	N/A	3	£1.40	N/A	60p	60p	N/A	80p	4	£25	N/A	£2	£2	N/A	N/A	5 (off Peak)	70p	Free	Free	Free	Free	Free	5 (Off Peak)	80p	Free	Free	Free	Free	Free
Class	Maximum Toll	Residents Concession	Local Resident Concession	Local Commercial Concession	Regional Resident Concession	Local Taxi Concession																																																			
1	Free	Free	Free	Free	N/A	N/A																																																			
2 (off peak)	80p	30p	30p	30p	N/A	N/A																																																			
2 (peak)	£1.00	40p	40p	40p	N/A	N/A																																																			
3	£1.40	N/A	60p	60p	N/A	80p																																																			
4	£25	N/A	£2	£2	N/A	N/A																																																			
5 (off Peak)	70p	Free	Free	Free	Free	Free																																																			
5 (Off Peak)	80p	Free	Free	Free	Free	Free																																																			
Declared Officer / Member Interests	None																																																								

Details of consultation undertaken (other reasons / organisations consulted)	Yes	No	Date	
	Executive Member	<input checked="" type="checkbox"/>	<input type="checkbox"/>	By copy of this DDN
	Ward Councillors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	By copy of this DDN
	Chief Officer affected	<input checked="" type="checkbox"/>	<input type="checkbox"/>	By copy of this DDN
Others (specify)	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

Contact Person	Pete Boustred	Contact No	023 8083 4743
----------------	---------------	------------	---------------

Authorised
Signatory



Date 28/11/2022

Commencement for call-in	
Last date for call-in	
Implementation Date	



Equality and Safety Impact Assessment

The **Public Sector Equality Duty** (Section 149 of the Equality Act) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people carrying out their activities.

The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people’s needs. The Council’s Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with Section 17 of the Crime and Disorder Act and will enable the Council to better understand the potential impact of proposals and consider mitigating action.

Name or Brief Description of Proposal	Increase Itchen bridge fees for non-residents and remove the Electric Vehicle concession
Brief Service Profile (including number of customers)	
<p>The Itchen Bridge first opened in 1977 to reduce the congestion from traffic leaving and entering the city. The bridge is operated and maintained by Southampton City Council and uses a variable toll, which is based on the height of the vehicle at the front axle. The Itchen Bridge serves as a major link between the east and west of the city, with a flow of around 20,000 vehicles per day. Crossing the bridge has always been subject to a toll payment, as introduced by the Hampshire Act upon opening of the bridge.</p> <p>Some regular users of the bridge make payments by using a Smartcities card, whilst other users currently pay by cash, including people passing through the city on business or for leisure, and non-regular users. Concessions are available to local residents and local commercial businesses when paying using a Smartcities card.</p> <p>Residents with a Blue Badge and who receive Smartcities eligible mobility related benefit payments are entitled to free travel across the Itchen Toll Bridge with a Smartcities card. Owners of fully electric vehicles can cross the Itchen Bridge free of charge with a SmartCities card by applying for an Electric Vehicle concession.</p> <p>The toll charges were last amended in 2019, with an increase in the peak and off peak charges of £0.20. The discount available to Southampton residents via the Smart Card was frozen.</p> <p>Below is a table which shows the current charge for crossing the Itchen Bridge:</p>	

	Non-Smart Card users	Non-resident (Smart Card)	Local Resident (Smart Card)	Local Commercial (Smart Card)	Disabled person / Electric Vehicle (Smart Card)
Class 1 – motorcycles and three-wheeled vehicles	Free	Free	Free	Free	Free
Class 2 – cars, small vans and small 4x4s OFF PEAK	70p	70p	30p	30p	Free
Class 2 – cars, small vans and small 4x4s *PEAK	80p	80p	40p	40p	Free
Class 3 large vans (e.g. transit) and large 4x4s	£1.40	N/A	60p	60p	N/A
Class 4 HGVs	£25	£25	N/A	£2	N/A

*Peak Times are 07:00-09:30 and 16:00 to 18:30

Summary of Impact and Issues

The 1st proposal is to increase the Itchen Bridge Toll peak charges by 20p and off-peak charges by 10p to vehicles in classes 2 and 3 and above crossing the bridge, who are not eligible for a concession. This will impact on non-residents, whether using a smart card or paying in cash, who are driving cars, small vans, small 4x4 and large vans, which include large transit and 4x4 vans.

The increase in the toll would not apply to residents that receive a concessionary toll through use of a Smart Card. Residents who do not currently have a Smartcities card would need to apply for one in order to avoid paying the increased charges.

The 2nd proposal is to remove the Electric Vehicle Concession. This would impact on approximately 150-200 existing Electric Vehicle concession card holders.

The proposed charges would be as follows:

	Non-Smart Card users	Non-resident (Smart Card)	Local Resident (Smart Card)	Local Commercial (Smart Card)	Disabled person
Class 1 – motorcycles and three-wheeled vehicles	Free	Free	Free	Free	Free
Class 2 – cars, small vans and small 4x4s OFF PEAK	80p	80p	30p	30p	Free
Class 2 – cars, small vans and small 4x4s *PEAK	£1.00	£1.00	40p	40p	Free
Class 3 large vans (e.g. transit) and large 4x4s	£1.60	N/A	60p	60p	N/A
Class 4 HGVs	£25	£25	N/A	£2	N/A

Potential Positive Impacts

Increasing toll charges may encourage more people to seek alternative methods of transport (public transport, car shares, cycling etc.) and encourage drivers to use the principle eastern approach road leading to air quality and health improvements.

Responsible Service Manager	Richard Alderson
Date	04/10/22
Approved by Senior Manager	Rosie Zambra
Date	04/10/22

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	The increased charges will impact on drivers of all ages who are non-residents visiting the city for education, business or leisure and fall into the class 2 or 3 bracket, as well as residents who do not use a smart card.	Residents of the city can apply for a concession via a Smart Cities card and would therefore not have to pay for the increased amount
Disability	No specific impact as increased charges will impact on all drivers. Existing mitigation for drivers with mobility issues is already in place.	People with mobility issues may qualify for the Disabled Concession
Gender Reassignment	No identified impact	N/A
Marriage and Civil Partnership	No identified impact	N/A
Pregnancy and Maternity	No identified impact	N/A
Race	No identified impact	N/A
Religion or Belief	No identified impact	N/A
Sex	No identified impact	N/A
Sexual Orientation	No identified impact	N/A
Community Safety	No identified impact	N/A
Poverty	This proposal may have a negative impact on some users who are non-residents or non-smart card users, who are low income earners and need to travel to Southampton to work.	The price increase is to meet the running costs of the bridge, including maintenance and management. This charge would not apply to residents that receive a concessionary toll and this discount would be protected.
Health & Wellbeing	No identified impact	N/A
Other Significant Impacts	None	N/A

PUBLIC NOTICE

THE CITY OF SOUTHAMPTON (ITCHEN BRIDGE TOLLS) ORDER 2023

NOTICE IS HEREBY GIVEN THAT SOUTHAMPTON CITY COUNCIL proposes to make the above Order, the effects of which would be:

1. To amend the maximum tolls for Class 2 vehicles (those with a height at first axle of no more than 1.33m - cars, small vans and small 4x4s) to £1 (peak times) and 80p (off-peak times).
2. To remove the Electric Vehicle Concession.

Note: This Order will revoke and replace The City of Southampton (Itchen Bridge Tolls) Order 2021

Copies of the draft Order can be viewed on the Councils website: transport.southampton.gov.uk/TRO or may be inspected Monday - Thursday, 9am - 4pm at the Southampton, Fareham and Havant Legal Partnership in the Civic Centre, Southampton SO14 7LY. Further information may also be obtained from the Highways division on 023 8079 8065.

Any person wishing to object or make any other representation relating to this order must do so in writing via the Councils website: transport.southampton.gov.uk/TRO or by post to the Highways Legal Team at Southampton City Council, Civic Centre, Southampton, SO14 7LY quoting the order title and stating the grounds for objection, within 28 days of the date of this notice (i.e. by 6th January 2023).

Please note that all representations submitted, including the name and address of the person submitting it, may be made available for public inspection.

Dated: 9th December 2022

Richard Ivory, Solicitor

Service Director: Legal and Business Operations

Southampton, Fareham and Havant Legal Partnership



This page is intentionally left blank

Agenda Item 8

DECISION-MAKER:	CABINET		
SUBJECT:	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2022		
DATE OF DECISION:	21 FEBRUARY 2023		
REPORT OF:	CABINET MEMBER FOR FINANCE & CHANGE		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
	Name:	John Harrison	Tel: 023 80834897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title:	Head of Financial Planning & Management	
	Name:	Steve Harrison	Tel: 0739 2864525
	E-mail:	Steve.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of December 2022 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2022/23 to 2026/27.</p> <p>The General Revenue Fund deficit for the year as outlined in this report is £10.34M as at 31 December 2022 after taking account of £4.70M agreed in-year savings, with the most significant deficit being for the Children & Learning portfolio (£11.02M). Mitigation plans to reduce the forecast deficit are being progressed, however will not reduce the deficit in full. Failing any further improvement in the financial position the deficit will need to be met from corporate reserves and would therefore impact on the council's future financial resilience and the resources available to help address future years' budget shortfalls and transformation costs, as noted in the 2023/24 Budget, Medium Term Financial Strategy and Capital Programme report elsewhere on this agenda.</p>

RECOMMENDATIONS:

	<u>General Revenue Fund</u>	
	Cabinet is recommended to:	
i)	Note the forecast outturn position is a £10.34M deficit, after taking account of £4.70M agreed in-year savings, as outlined in paragraph 4 and in paragraph 1 of appendix 1.	
ii)	Note that failing any further improvement in the 2022/23 financial position the £10.34M deficit will need to be met from the Medium Term Financial Risk Reserve, as set out in paragraph 4 and in paragraph 3 of appendix 1.	
iii)	Note the performance of treasury management, and financial outlook in	

	paragraphs 5 to 8 of appendix 1.
iv)	Note the forecast year end position for reserves and balances as detailed in paragraphs 9 and 10 of appendix 1.
v)	Note the Key Financial Risk Register as detailed in paragraph 11 of appendix 1.
vi)	Note the performance against the financial health indicators detailed in paragraphs 15 and 16 of appendix 1.
vii)	Note the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 19 to 22 of appendix 1.
<u>Housing Revenue Account</u>	
Cabinet is recommended to:	
viii)	Note the forecast outturn position is a nil variance against budget as outlined in paragraph 5 and paragraph 17 of appendix 1.
<u>Capital Programme</u>	
Cabinet is recommended to:	
ix)	Note the revised General Fund Capital Programme, which totals £356.25M as detailed in paragraph 1 of appendix 2.
x)	Note the HRA Capital Programme is £267.12M as detailed in paragraph 1 of appendix 2.
xi)	Note that the overall forecast position for 2022/23 at quarter 3 is £144.78M, resulting in a potential surplus of £2.43M, as detailed in paragraphs 5 and 6 of appendix 2.
xii)	Note that the capital programme remains fully funded up to 2026/27 based on the latest forecast of available resources although the forecast can be subject to change; most notably regarding the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	Not Applicable.
DETAIL (including consultation carried out)	
<u>Revenue</u>	
3.	The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of December 2022 and key issues are summarised in appendix 1.
4.	The current forecast spending against the council's net General Fund revenue budget for the year of £193.15M is projected to be a £10.34M deficit, after taking account of £4.70M agreed in-year savings, a deterioration of £0.75M from the position forecast at the end of September 2022. This is a significant adverse variance which has on-going consequences for the Council's financial sustainability. The most significant deficit is

	for Children & Learning (£11.02M) and Health, Adults & Leisure has a forecast deficit of £4.54M (after a £1.91M contribution from reserves). Mitigation plans to reduce the forecast deficit are being progressed, however this will not reduce the deficit in full. Failing any further improvement in the financial position the £10.34M will need to be met from the Medium Term Financial Risk Reserve, which would therefore impact on the council's future financial resilience and the resources available to help address future years' budget shortfalls or deliver transformation. The overspend is substantial and when coupled with the expectation of future stress on the budget extending into 2023/24, it represents a major risk to the future financial stability of the authority. The council has been operating under Essential Spend only rules since August 2022 to counteract the overspend and the financial risks of spending to such an extent over budget and the impact it has on reserves.
5.	The forecast position for the HRA is a nil variance against the budgeted deficit of £0.92M, with a forecast surplus of £1.11M against an expenditure budget of £77.33M offset by a forecast deficit of £1.11M against an income budget of £76.41M. This is no overall change from the position forecast at the end of September 2022.
	<u>Capital</u>
6.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2022/23 to 2026/27, highlighting the changes in the programme since the last reported position in November 2022. The report also notes the major forecast variances against the approved estimates.
7.	Due to the current financial environment, there has been a 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 more than double since the budgets were set in February 2022. This review has resulted in £17.66M of net slippage/rephasing (£11.61M General Fund and £6.05M HRA) from 2022/23 into later years, as detailed in paragraphs 5 and 6 of appendix 2.
8.	The current forecast position for 2022/23 at quarter 3 is £144.78M, resulting in a potential surplus of £2.43M, as detailed in paragraphs 5 and 6 of appendix 2.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9.	The revenue and capital implications are contained in the report.
<u>Property/Other</u>	
10.	There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
11.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications:</u>	
12.	None.
RISK MANAGEMENT IMPLICATIONS	

13.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
14.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
------------------------------------	-----

SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
--	----

Privacy Impact Assessment

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

Other Background Documents

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

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

1.	The Revenue Budget 2022/23, Medium Term Financial Strategy and Capital Programme (Council 23 February 2022)	
2.		

Agenda Item 8

Appendix 1

REVENUE FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2022

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 £10.34M after taking account of £4.70M agreed in-year savings. This is a significant adverse variance which has significant on-going consequences for the Council's financial sustainability. This is summarised in Table 1 below.

Table 1 – General Revenue Fund Forecast 2022/23

	Budget Qtr 3 £M	Annual Forecast Qtr 3 £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Portfolios Net Expenditure	218.24	235.60	17.36 A	16.23 A	1.13 A
Non-Portfolio Net Expenditure	(25.09)	(27.39)	2.30 F	2.60 F	0.30 A
Net Revenue Expenditure	193.15	208.21	15.06 A	13.63 A	1.43 A
Financing	(193.15)	(193.17)	0.02 F	0.02 F	0.00
(Surplus) / Deficit for the year	0.00	15.04	15.04 A	13.61 A	1.43 A
Agreed in-year savings	0.00	(4.70)	4.70 F	4.02 F	0.68 F
(Surplus) / Deficit after in-year savings	0.00	10.34	10.34 A	9.59 A	0.75 A
To be met from the Medium Term Financial Risk Reserve			10.34 F		
(Surplus)/Deficit after applying reserves			0.00		

NB Numbers are rounded

2. The position at portfolio level is a deficit of £17.36M, or around 8% of the net budget. More detail, including explanations of significant movements in variances between quarter 2 and quarter 3 (in excess of £0.2M) is provided in Annex 1.1.

3. The most significant adverse variance is in the Children & Learning portfolio, which is forecast to be in deficit by £11.02M. This deficit relates primarily to Pathways Through Care (£5.97M), with placement numbers not reducing as planned, agency staff costs and additional allowances and overtime within Safeguarding (£1.88M), high-cost placements for children with high and complex needs within the JIGSAW service (£1.21M), and Home to School Transport (£1.46M), with increased numbers of eligible pupils. The Health, Adults & Leisure portfolio is also forecasting a £4.54M deficit (after

	<p>a £1.91M contribution from reserves), relating mainly to increases in the costs of care packages. £2.43M of the adverse variances for portfolios relates to increased energy costs.</p> <p>Mitigation plans to reduce the forecast deficit are being progressed, however at this stage in the year, the deficit will not be covered in full and is likely to remain substantial. In-year savings of around £4.70M have been agreed so far to help reduce the deficit, as shown in Table 1. Failing any further improvement in the financial position the remaining £10.34M deficit will need to be met from the Medium Term Financial Risk reserve which would therefore impact on the council's future financial resilience, with much reduced cover for risks and limited resources available to help address budget shortfalls in future years or deliver transformation, as noted in the 2023/24 Budget, Medium Term Financial Strategy and Capital Programme report elsewhere on this agenda.</p>
	<p><u>Implementation of Savings Proposals</u></p>
4.	<p>Of the £9.09M savings plans included within the 2022/23 budget £3.51M (39%) have been achieved or are on track to be achieved before the end of this financial year. The balance of £5.58M (61%) are currently not forecast to be achieved and are included in the adverse variances reported for portfolios, with the majority being within Children & Learning. These represent a risk until all management actions required to deliver the savings are complete or alternative savings achieved.</p>
	<p><u>Treasury Management</u></p>
5.	<p>Treasury Management borrowing and investment balances as at 31 December 2022 and forecasts for the year-end are set out in Annex 1.2. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net borrowing is expected to increase to £331.12M by the end of 2022/23. This may change during the remainder of the year as capital plans firm up and actual cash flow are known.</p> <p>The forecast cost of financing the council's loan debt is £16.81M of which £5.19M 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.</p>
6.	<p>Although we currently do not have any short term debt, we anticipate borrowing short term before year end, while the rates are more favourable than long term, to replace maturing long term debt, expected reduction in reserves and to fund the capital programme for the year.</p>
7.	<p>The Council will continue to monitor the financial markets closely, given the sharp rise in interest rates during the year, and provide updates via the Treasury Management reports to Governance Committee.</p>
8.	<p>Annex 1.2 includes an overview of current performance along with an update on the financial outlook. The Council approved a number of indicators at its meeting in February 2022. The Council has operated within the agreed prudential indicators for the first 9 months of the year and is forecast to do so for the remainder of the year.</p>
	<p><u>Reserves & Balances</u></p>
9.	<p>The General Fund Balance is currently £10.07M with no planned drawdown during the year.</p>
10.	<p>At the 31 March 2022, earmarked revenue reserves totalled £96.19M, plus Schools</p>

	<p>Balances totalling £5.70M. The balance at 31 March 2022 included revenue grants totalling £20.93M carried forward via the Revenue Grants Reserve - General, of which £16.89M relate to COVID-19. All of the grants carried forward are expected to be used in 2022/23. The estimated forecast position as at the 31 March 2023 (excluding Schools Balances) is £52.95M, before any use to meet the forecast in-year deficit. This would reduce to £42.61M if all of the forecast £10.34M in-year deficit is required to be met from reserves. This doesn't include the cumulative deficit on the Dedicated Schools Grant which is being held in a separate account as noted in paragraph 14. The Council holds a Medium Term Financial Risk (MTFR) Reserve, which exists to provide cover for a variety of anticipated risks such as future funding via Government financial settlements, budget management issues including any non-delivery of expected savings and unexpected events that produce financial 'shocks'. The reserve is also important in providing resources for transformation costs and invest to save measures. The MTFR reserve is central to the council's financial resilience and is currently estimated as having a balance of £28.37M at the end of 2022/23 after taking into account the in-year deficit. This includes £4.43M use of the reserve in the current year relating to Collection Fund cash flow timing differences, which is due to be repaid in 2023/24. Excluding this use for timing differences the forecast uncommitted balance at the end of 2022/23 would be £32.81M. Details of calls on the MTFR Reserve in future years are included in the 2023/24 Budget, Medium Term Financial Strategy and Capital Programme report elsewhere on this agenda.</p>
	<p><u>Key Financial Risks</u></p>
<p>11.</p>	<p>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 this register that is used to inform the level of balances and reserves when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 1.3.</p> <p>Elsewhere on the agenda, the budget papers for 2023/24 include an assessment of the robustness of the budget and adequacy of reserves from the S151 Officer. That assessment highlights the significant risks of depleting reserves, both from the in-year overspend reported here and in helping balance the budget in 2023/24, and the significant risk that presents to the financial stability of the council.</p>
	<p><u>Schools</u></p>
<p>12.</p>	<p>As at 31 December 2022 there were 14 schools reporting a deficit balance totalling £4.6M which compares to deficits totalling £3.6M at the end of the last financial year (2021/22). There are 28 schools forecasting a surplus balance of £6.2M which compares to surpluses totalling £9.3M at the end of the last financial year. The net position is therefore a £1.6M surplus.</p> <p>Three schools have been issued with notices of concern regarding their budget position. Support and guidance are being provided by council services to assist the schools to develop Deficit Recovery Plans (DRP). These schools will be carefully monitored and further actions cannot be ruled out to ensure improved financial management.</p>
<p>13.</p>	<p>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.</p>

	<p><u>Dedicated Schools Grant (DSG) 2022/23</u></p>
<p>14.</p>	<p>The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of December 2022 is a £10.24M cumulative deficit. 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 Special Education Needs & Disabilities (SEND) team have an ongoing strategic review of the High Needs activity to manage demand for SEND services. This includes increasing resources for earlier intervention and providing additional places in special schools to reduce the number of pupils being placed in highly expensive placements in independent school settings. An increase in pressures on High Needs services continues as a nationally recognised issue with significant pressures being reported in most local authorities. The increase in High Needs funding in 2022/23 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 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.</p> <p>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 of £10.24M, within the 3 year window allowed by Government.</p>
	<p><u>Financial Performance Indicators</u></p>
<p>15.</p>	<p>In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Annex 1.4 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.</p>
<p>16.</p>	<p>For Treasury Management, rates for new long term borrowing are higher than budgeted and are on an upward trend. However, the higher interest rates are having a positive impact on investment income and this partly mitigates the impact on the revenue budget. A review of the General Fund capital programme has taken place in an effort to reduce the borrowing need in year.</p> <p>For Income Collection, outstanding debt more than 12 months old is below target and the percentage has increased since quarter 2. The actual value of debt over 12 months old decreased during the quarter, however at a slower rate than total debt outstanding and hence represents a higher share. The value of debt over 12 months old is expected to continue to decrease as the debt collection team has recently been expanded and now has more capacity to chase older debt. The potential benefits of</p>

automation are also being explored, with the aim of realising further capacity within the team.

For Creditor Payments, the percentage of valid and undisputed invoices paid within 30 days is below target, however performance has improved since quarter 2. A dashboard has been developed to better identify non-compliance and to help target training to improve performance which is shared with senior management. Non-compliance issues are being addressed by a newly established corporate working group. Data is being gathered which will inform future action.

Housing Revenue Account

17. The Housing Revenue Account is forecast to have a nil variance against the budgeted deficit for the year, no overall movement from the position reported at quarter 2, as summarised in Table 2 below.

Table 2 – Housing Revenue Account Forecast 2022/23

	Budget Qtr 3 £M	Annual Forecast Qtr 3 £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Expenditure	77.33	76.22	1.11 F	0.62 F	0.49 F
Income	(76.41)	(75.30)	1.11 A	0.62 A	0.49 A
(Surplus) / Deficit for the year	0.92	0.92	0.00	0.00	0.00

NB Numbers are rounded

18. Details of significant movements in variances between quarter 2 and quarter 3 are provided in Annex 1.5.

Collection Fund

19. Annex 1.6 shows the forecast outturn position for the Collection Fund at quarter 3, with the position summarised in Table 3.

Table 3 – Collection Fund Forecast 2022/23

	Council Tax £M	Business Rates £M	Total £M
Distribution of previous years' estimated surplus/(contribution towards estimated deficit)	2.92	(24.27)	(21.35)
Net income and expenditure for 2022/23	0.15	3.72	3.87
(Surplus)/Deficit for the year	3.07	(20.56)	(17.49)
(Surplus)/Deficit brought forward from 2021/22	(2.76)	17.11	14.35
Overall (Surplus)/Deficit Carried Forward	0.31	(3.45)	(3.14)
SCC Share of (Surplus)/Deficit	0.26	(1.69)	(1.43)
Add: Variance in SCC Government grant		(1.32)	(1.32)

income for business rates reliefs for 2022/23			
Add: SCC Government grant income shortfall carried forward from 2021/22 due to deferral of CARF scheme, to be repaid to reserves in 2023/24		4.43	4.43
SCC Net Share of (Surplus)/Deficit after Government Grant adjustments to be taken into account in 2023/24 budget setting*	0.26	1.43	1.69

NB Numbers are rounded

*£1.20M of the 2020/21 in-year deficit estimated at January 2021 was included for 2023/24 in the Medium Term Financial Strategy agreed in February 2022 (final year of the exceptional deficit required to be spread over 3 years).

20.	The position on the Collection Fund as a whole is a surplus to be carried forward of £3.14M. Of this, £3.45M relates to business rates and comprises a £7.16M favourable variance in the 2021/22 outturn deficit (after excluding the £1.99M 2020/21 exceptional deficit being carried forward into 2023/24) and an in-year deficit of £3.72M. The deficit brought forward was lower than had been estimated in January 2022 mainly because reliefs under the COVID Additional Relief Fund (CARF) scheme announced in December 2021 were deferred until 2022/23. The in-year deficit is primarily due to an adverse variance in gross rates payable net of refunds (£2.23M) together with backdated CARF relief (£8.69M), offset by lower retail, hospitality & leisure reliefs (£6.24M) and empty property relief (£1.38M) than estimated when the budget was set. This forecast is based on bills raised for 2022/23 as at the end of December 2022.
21.	Both the CARF and retail, hospitality & leisure reliefs are funded by Government grant, so changes to these forecasts impact on the grant income receivable to the General Fund. The table shows the net impact for SCC only as a forecast deficit of £1.43M for business rates, once the variance to Government grant for business rates relief for 2022/23 and the repayment to reserves for the shortfall in CARF grant income carried forward from 2021/22 are factored in.
22.	Significant uncertainty still underpins any estimate relating to the economic effects of high inflation and the cost of living crisis, together with any ongoing effects of the COVID-19 pandemic. As a risk area to the SCC budget, financial trends will be carefully monitored.
	Conclusion and Outlook
23.	Despite actions being taken to help address the financial position a significant forecast deficit remains. The council continues to face severe financial pressures, not only from high demand for services, particularly within Children's & Learning, but also due to the impact of high levels of inflation and pay increases.
24.	While the council has sufficient reserves and contingency to meet these financial pressures in 2022/23, use of these resources in-year significantly weakens the council's financial resilience and significantly reduces the amount available to help address budget shortfalls in future years undermining financial resilience. The council is therefore more susceptible to financial risk and overspending in future, placing it in a much more precarious financial position at a time when budgets are experiencing

major pressures.

Annexes

1. General Revenue Fund Forecast Qtr 3 2022/23
2. Treasury Management Qtr 3 2022/23
3. Key Financial Risk Register Qtr 3 2022/23
4. Performance Indicators Qtr 3 2022/23
5. HRA Forecast Qtr 3 2022/23
6. Collection Fund Qtr 3 2022/23

This page is intentionally left blank

Agenda Item 8

Appendix 2

OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR 2022/23

Portfolio	Budget Qtr 3	Annual Forecast Qtr 3	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Variance Movement from Qtr 2
	£M	£M	£M	£M	£M
Children & Learning	59.83	70.85	11.02 A	9.43 A	1.59 A
Communities& Customer Engagement	6.32	6.92	0.60 A	0.71 A	0.11 F
Economic Development	2.63	3.83	1.19 A	1.38 A	0.19 F
Finance & Change	40.00	41.06	1.07 A	2.24 A	1.17 F
Health, Adults & Leisure	85.63	90.17	4.54 A	3.37 A	1.17 A
Housing & the Green Environment	8.55	8.82	0.26 A	0.18 A	0.08 A
Leader	12.89	13.45	0.56 A	0.26 A	0.31 A
Safer City	1.49	1.43	0.06 F	0.07 A	0.13 F
Transport & District Regeneration	0.90	(0.93)	1.82 F	1.40 F	0.42 F
Total Portfolios	218.24	235.60	17.36 A	16.23 A	1.13 A
Levies & Contributions	0.09	0.09	0.00	0.00	0.00
Capital Asset Management	10.73	8.13	2.60 F	2.60 F	0.00
Other Expenditure & Income	(35.91)	(35.61)	0.30 A	0.00	0.30 A
Net Revenue Expenditure	193.15	208.21	15.06 A	13.63 A	1.43 A
Council Tax	(111.24)	(111.24)	0.00	0.00	0.00
Business Rates	(32.78)	(32.78)	0.00	0.00	0.00
Non-Specific Government Grants	(49.13)	(49.15)	0.02 F	0.02 F	0.00
Total Financing	(193.15)	(193.17)	0.02 F	0.02 F	0.00
(Surplus)/Deficit	0.00	15.04	15.04 A	13.61 A	1.43 A
Further in-year savings agreed	0.00	(4.70)	4.70 F	4.02 F	0.68 F
(Surplus)/Deficit after in-year savings	0.00	10.34	10.34 A	9.59 A	0.75 A

NB Numbers are rounded

EXPLANATIONS BY PORTFOLIO

1. CHILDREN & LEARNING PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£11.02M**, which represents a percentage variance against budget of 18.4%. The Portfolio forecast variance has moved adversely by **£1.59M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	11.02 A	9.43 A	1.59 A	18.4

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Children & Families First	0.40 F	0.00	0.40 F
Divisional Management & Legal	0.23 A	0.22 A	0.01 A
Education - Home to school transport and property mgt	1.46 A	1.13 A	0.33 A
Education - Services for schools, High Needs	1.42 A	0.21 A	1.21 A
Pathways Through Care	5.97 A	5.57 A	0.40 A
Young Peoples Service	0.15 A	0.10 A	0.05 A
Quality Assurance Business Unit	0.33 A	0.33 A	0.00
Safeguarding	1.88 A	1.81 A	0.09 A
Other	0.02 F	0.06 A	0.08 F
Total	11.02 A	9.43 A	1.59 A

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Children & Families First	0.40 F	The favourable variance movement of £0.40M relates to changes in the funding of the Family Hubs and how this additional grant funding has been used and will be used for the rest of this financial year.
Education - Home to school transport and property mgt	0.33 A	The adverse movement of £0.33M is due to feasibility costs relating to the expansion of SEND school places of £0.08M and energy pressures of £0.24M for a temporary generator relating to the special education needs (SEN) school expansion programme.
Education - Services for schools, High Needs	1.21 A	The adverse movement of £1.21M relates to the Jigsaw service with £1.18M related to pressures in high-cost placements and £0.03M relating to an increase in direct payments due to a rise in the number of children requiring packages of care.
Pathways Through Care	0.40 A	The adverse variance movement of £0.40M relates to increasing placement costs for Residential, Independent Fostering and Pathways children. These higher costing placement types are under constant review to minimise the impact they have on the adverse variance within the Portfolio.

2. COMMUNITIES & CUSTOMER ENGAGEMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£0.60M**, which represents a percentage variance against budget of 9.5%. The Portfolio forecast variance has moved favourably by **£0.11M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	0.60 A	0.71 A	0.11 F	9.5%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Bereavement Service	0.67 A	0.65 A	0.02 A
Libraries	0.03 A	0.03 A	0.00
Registration Services	0.02 F	0.00	0.02 F
Stronger Communities	0.08 F	0.03 A	0.11 F
Other	0.00	0.00	0.00
Total	0.60 A	0.71 A	0.11 F

There were no SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio.

3. ECONOMIC DEVELOPMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£1.19M**, which represents a percentage variance against budget of 45.3%. The Portfolio forecast variance has moved favourably by **£0.19M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	1.19 A	1.38 A	0.19 F	45.3%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Facilities Management	0.68 A	0.68 A	0.00
Central Repairs & Maintenance	0.00	0.24 A	0.24 F
Sustainability	0.15 A	0.15 A	0.00
Planning	0.51 A	0.14 A	0.37 A
Economic Development	0.08 A	0.08 A	0.00
Property Services	0.38 F	0.06 A	0.44 F
Property Portfolio Management	0.15 A	0.03 A	0.12 A
Total	1.19 A	1.38 A	0.19 F

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Property Services	0.44 F	There is a favourable movement on the Property team staffing of £0.44M due to planned recruitment being delayed or appointments being reduced, along with an increase in staffing recharge income.
Central Repairs & Maintenance	0.24 F	The favourable movement in the quarter is due to the previously reported revenue costs associated with the rationalisation of administrative buildings being agreed to be funded out of service savings identified in the budget challenge sessions.
Planning	0.37 A	The adverse movement of £0.37M is due to a forecast reduction in planning fee income. The wider economic slowdown has impacted on applications received particularly major applications which can have a significant impact on income received.

4. FINANCE & CHANGE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£1.07M**, which represents a percentage variance against budget of 2.7%. The Portfolio forecast variance has moved favourably by **£1.17M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	1.07 A	2.24 A	1.17 F	2.7%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Accounts Payable	0.04 A	0.15 A	0.11 F
Business Support	0.08 A	0.27 A	0.19 F
City Services - Waste Operations	0.81 F	0.50 F	0.31 F
Commercialisation	0.32 A	0.23 A	0.09 A
Corporate Finance	0.11 A	0.11 A	0.00
Corporate Management	0.07 F	0.03 A	0.10 F
Highways Contracts	0.05 F	0.05 F	0.00
IT Services	0.74 A	0.73 A	0.01 A
Local Taxation & Benefits	0.47 A	0.90 A	0.43 F
Risk Management & Insurance	0.16 F	0.00	0.16 F
Supplier Management	0.47 A	0.42 A	0.05 A
Other	0.07 F	0.05 F	0.02 F
Total	1.07 A	2.24 A	1.17 F

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
City Services - Waste Operations	0.31 F	The favourable movement of £0.31M is predominately from an improved position on Trade Waste. Forecast tipping costs decreased due to lower tonnage collected. There have also been reductions on supplies and services based on essential spend. This has been offset by increases on fuel and use of agency staff to cover vacancies.
Local Taxation & Benefits	0.43 F	The favourable movement between Q2 and Q3 of £0.43M has resulted from improvements in the forecast achievement of efficiency savings targets of £0.16M, an improved forecast bad debt provision of £0.07M and the receipt of a partial reimbursement of court cost fee income from the Ministry of Justice of £0.19M. This follows a legal challenge by the Local Government Association (LGA) on behalf of all local authorities regarding court cost charges.

5. HEALTH, ADULTS & LEISURE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£4.54M**, which represents a percentage adverse variance against budget of 5.3%. The Portfolio forecast variance has moved adversely by **£1.17M** from the position reported at quarter 2

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	4.54 A	3.37 A	1.17 A	5.3 %

A summary of the Portfolio forecast variance and movement since quarter 1 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Adults - Adult Services Management	0.38 F	0.32 F	0.06 F
Adults - Long Term	1.77 A	1.21 A	0.57 A
Adults - Provider Services	0.27 A	0.28 A	0.01 F
Adults - Reablement & Hospital Discharge	0.73 A	0.66 A	0.07 A
Adults - Safeguarding Adult Mental Health & Out Of Hours	1.46 A	0.88 A	0.58 A
ICU - Provider Relationships	0.17 A	0.63 A	0.46 F
ICU - System Redesign	0.04 A	0.04 A	0.00
Leisure Contracts	0.35 A	0.00	0.35 A
Public Health - Management & Overheads	0.13 A	0.00	0.13 A
Total	4.54 A	3.37 A	1.17 A

SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation
Adults - Safeguarding Adult Mental Health & Out of Hours	0.58 A	There is a £0.58M adverse variance movement since Quarter 2 due to a net increase in the numbers of new clients and increase in cost of existing client packages for residential, nursing and direct payments.
Adults - Long Term	0.57 A	<p>There is a £0.57M adverse variance movement since Quarter 2 due to a net increase in the numbers of new clients and increase in cost of existing client packages for residential, nursing and homecare.</p> <p>It should be noted that this adverse movement is net of further one off funding being released during this time period between Quarter 2 and Quarter 3 comprising of:</p> <ul style="list-style-type: none"> - £0.92M – ASC Discharge Fund – grant provision from Central Govt agreed at month 8 - £0.56M – Fair Cost of Care funding used to offset the long-term adverse position, as agreed at month 9
ICU - Provider Relationships	0.46 F	There is a £0.46M favourable variance movement since Quarter 2 mainly due to a number of SCC contract purchased block beds being purchased by the NHS Integrated Care Board (ICB) to use as Discharge to Assess beds until the end of the financial year.
Leisure Contracts	0.35 A	There is a £0.35M adverse variance movement since Quarter 2 due to a review of contract values. This has occurred due to a difference between the estimated inflation costs set as part of the budget process and the actual costs of service delivery during the financial year.

6. HOUSING & THE GREEN ENVIRONMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£0.26M**, which represents a percentage variance against budget of 3.1%. The Portfolio forecast variance has moved adversely by **£0.08M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	0.26 A	0.18 A	0.08 A	3.1%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Air Quality Monitoring	0.07 F	0.08 F	0.01 A
City Services – Commercial Services	0.11 A	0.03 F	0.14 A
City Services – District Areas	0.47 A	0.21 A	0.26 A
City Services – Trees & Ecology	0.07 F	0.08 F	0.01 A
City Services - Trading areas (Fleet & Landscapes)	0.74 A	1.27 A	0.53 F
Flood Risk Management	0.08 F	0.08 F	0.00
Housing Needs	0.80 F	1.00 F	0.20 A
Other	0.03F	0.02 F	0.01 F
Total	0.26 A	0.18 A	0.08 A

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
City Services – District Areas	0.26 A	The adverse movement of £0.26M is due to a £0.17M movement on vehicle costs, particularly hire vehicles. This pressure will reduce as new vehicles on order are supplied. There have also been adverse movements on staffing of £0.08M from increased agency cover, £0.08M on disposal costs primarily from having to keep weekend disposal facilities available, £0.07M from fuel, building operating costs and other supplies & services. This is off-set by a favourable movement of £0.14M on income from recharges.
City Services – Trading Areas	0.53 F	The favourable movement of £0.53M relates to the change in charging practices for older vehicles. The impact on Fleet recharge income is less than originally estimated.
Housing Needs	0.20 A	The adverse movement of £0.20M is in respect of increasing homelessness presentations, which is significantly higher than in previous years. The financial pressure arises through additional B&B costs and Housing Benefit costs not fully recoverable through subsidy. This pressure is partially offset by carried forward Homelessness Prevention Grant.

7. LEADER PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a deficit of **£0.56M**, which represents a percentage variance against budget of 4.3%. The Portfolio forecast variance has moved adversely by **£0.31M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	0.56 A	0.26 A	0.31 A	4.3%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Cultural Services	0.26 A	0.31 A	0.05 F
Democratic Representation and Management	0.19 A	0.02 F	0.21 A
Strategic Management of the Council	0.19 F	0.15 F	0.04 F
HR	0.09 A	0.01 A	0.08 A
Legal Services and Land Charges	0.10 A	0.05 A	0.05 A
Registration of Electors and Elections Costs	0.11 A	0.06 A	0.05 A
Total	0.56 A	0.26 A	0.31 A

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Democratic Representation and Management	0.21 A	This adverse movement is caused mainly by the reallocation of £0.18M existing Business Services efficiency savings targets to specific services in the council between Quarter 2 and Quarter 3 which were previously forecast in the Finance and Change Portfolio.

8. SAFER CITY PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a surplus of **£0.06M**, which represents a percentage variance against budget of 4.2%. The Portfolio forecast variance has moved favourably by **£0.13M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	0.06 F	0.07 A	0.13 F	4.2%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Community Safety	0.08 F	0.08 F	0.00
Environmental Health	0.18 F	0.06 F	0.12 F
Licensing	0.02 A	0.00	0.02 A
Port Health & Trading Standards	0.19 A	0.21 A	0.02 F
Other	0.01 F	0.00	0.01 F
Total	0.06 F	0.07 A	0.13 F

There were no SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio.

9. TRANSPORT & DISTRICT REGENERATION PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2022/23

The Portfolio is currently forecast to have a surplus of **£1.82M**, which represents a percentage variance against budget of 203.2%. The Portfolio forecast variance has moved favourably by **£0.42M** from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Portfolio Forecast Outturn	1.82 F	1.40 F	0.42 F	203.2%

A summary of the Portfolio forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Parking & Itchen Bridge	0.15 A	0.24 A	0.09 F
Transportation	1.97 F	1.64 F	0.33 F
Total	1.82 F	1.40 F	0.42 F

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Transportation	0.33 F	The movement in the forecast relates to additional income for backdated inflation from the advertising contract of £0.40M and a £0.07M S106 contribution towards the cost of the bus subsidy schemes. This is offset by an increase in the cost of the bus subsidy schemes of £1 evening fares and 5 for £5 of £0.10M as these have been extended to the end of the financial year, and £0.04M for additional temporary staff in the Courier service to cover sickness and ensure statutory requirements are met.

10. NON-PORTFOLIO EXPENDITURE & INCOME

KEY REVENUE ISSUES – QUARTER 3 2022/23

Non-Portfolio budgets are currently forecast to have a surplus of **£2.32M**, which represents a percentage variance against budget of 1.1%. The forecast variance has moved adversely by £0.30M from the position reported at quarter 2.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Non-Portfolio Forecast Outturn	2.32 F	2.62 F	0.30 A	1.2%

A summary of the Non-Portfolio budgets forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Levies & Contributions	0.00	0.00	0.00
Capital Asset Management	2.60 F	2.60 F	0.00
Other Expenditure & Income	0.30 A	0.00	0.30 A
Council Tax	0.00	0.00	0.00
Business Rates	0.00	0.00	0.00
Non-Specific Government Grants & Other Funding	0.02 F	0.02 F	0.00
Total	2.32 F	2.62 F	0.30 A

The SIGNIFICANT movements between quarter 2 and quarter 3 for the Non-Portfolio budgets are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Other Expenditure & Income	0.30 A	The adverse variance is due to an increase in general homelessness expenditure that doesn't attract housing benefit subsidy

This page is intentionally left blank

Treasury Management

Borrowing and Investments

1. 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.

The Authority maintained its strategy of keeping borrowing and investments below their underlying levels to reduce risk and make a net saving.

2. Table 1 - Borrowing and Investments

	31-Mar-22 Actual	31-Mar-22 Average Yield / Rate	31-Dec-22 Actual	31-Dec-22 Average Yield / Rate	31-Mar-23 Forecast	31-Mar-23 Forecast Average
	£M	%	£M	%	£M	%
Long Term Borrowing						
Public Works Loan	246.30	2.88	267.74	2.77	312.59	2.82
LOBO Loans from Banks	9.00	4.89	9.00	4.86	9.00	4.87
	255.30	2.95	276.74	2.90	321.59	2.82
Short Term Borrowing						
Other Local Authorities	0.00	0.00	0.00	0.00	0.00	3.00
Other	0.36	0.38	0.44	2.46	0.44	0.00
Total External Borrowing	255.66	2.83	277.18	2.89	322.03	2.78
Other Long Term Liabilities						
PFI Schemes	47.52	9.01	45.95	9.56	44.37	9.56
Deferred Debt Charges (HCC)	13.10	2.66	12.92	3.27	12.73	3.27
Total Gross External Debt	316.28	3.87	336.04	4.08	379.13	3.85
Investments:						
Managed In-House						
Government & Local Authority	(24.41)	0.00	(8.55)	1.98		
Cash (Instant access)	(54.50)	0.51	(29.96)	3.31	(20.00)	4.00
Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Bonds	(1.06)	5.27	(1.01)	5.27	(1.01)	5.27
Managed Externally						
Pooled Funds (CCLA) & Shares	(27.25)	3.81	(27.00)	3.84	(27.00)	3.00
Total Investments	(107.22)	3.46	(66.52)	3.64	(48.01)	3.46
Net Debt	209.06		269.52		331.12	

3. 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 £122.06M.

A review of the capital programme is being undertaken which has resulted in a reduction in borrowing and a re-profiling of schemes to move borrowing into later years.

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

Rates for new long term borrowing are higher than budgeted and are on an upward trend. However, the higher interest rates are having a positive impact on investment income, and this somewhat mitigates the impact on the revenue budget.

Borrowing

5. The forecast cost of financing the council's loan debt is £16.81M of which £5.19M 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. The cost of both long and short term borrowing has risen dramatically over last 9 months, with rates at the end of December 2023 around 2% - 3% higher than those at the beginning of April 2023. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after the 'mini-budget' which included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period, some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain well above recent historical norms. The PWLB 10 year maturity certainty rate stood at 4.59% at the end of 2022.
- We currently do not have any short term debt, we anticipate borrowing short term before year end, while the rates are more favourable than long term, to replace maturing long term debt, expected reduction in reserves and to fund the capital programme for the year.
7. 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.
8. As outlined in the treasury strategy, the Authority's primary objective when borrowing has been 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.
9. The Authority has an increasing CFR due to the capital programme, and after future debt maturities currently has an estimated borrowing requirement of £48.42M 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.

Table 2 – Estimated Borrowing Requirement

	2022/23 £M
New Capital Expenditure	52.14
Repayment of Principle (MRP)	(7.92)
Maturing Debt	7.10
Movement in Resources	22.10
	73.42
New Borrowing Taken in Year	(25.00)
Cumulative Borrowing Need	48.42

As detailed above, rates continue an upward trajectory and are currently above the rate used for setting budget. Further borrowing will be required during the year and rates will be monitored to determine the appropriate time; current advice is to take short term borrowing when required.

<u>Investment</u>	
10.	<p>The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves. During the year investment balances have ranged between £109.37M and £59.96M and are currently £66.52M and expected to reduce to £48M by year end.</p> <p>Bank Rate has increased from 0.75% in April 2023 to 3.5% at 31 December 2023, with the prospect of further increases to come. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 2.7% for overnight/7-day maturities and 3.0% for 6-12 month maturities.</p> <p>By end of December, the rates on DMADF deposits ranged between 3.3% and 3.6%. The return on the Council's sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.48% - 0.54% in early April and between 3.14% and 3.51% at the end of December</p> <p>Forecast income is now £1.90M, £0.88M higher than originally budgeted which helps to partly mitigate the increase in borrowing costs.</p>
<u>Investment Performance</u>	
11.	<p>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.</p>
12.	<p>Our current investments in bonds reduced from £3M to £1M following maturities in 2021/22 and we maintained the property funds at £27M, with all other cash being placed in short term deposits as shown in table 1 in paragraph 2.</p>
13.	<p>As detailed in paragraph 10 our cash balances have continued to be higher than forecast but at £38.51M have reduced by £22.97M since highest point in year (July) when we held £61.48M. 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.</p>
14.	<p>Investments managed internally are currently averaging a return of 3.07% which is higher than the average unitary authority at 2.85% whilst maintaining a higher credit rating at AA- compared to A+.</p> <p>Total income returns at 3.32% is also higher than the average for both unitary (3.07%) and LA's (2.93%), this is primarily due to historic investment in EIB bonds which return 5.27%, although on a small balance of £1M, since maturities cannot be replaced at the same level.</p> <p>We hold 40% of our investments in strategic funds which offer higher return over the long term as detailed in paragraphs 15 to 18 below which is higher than the average but in line with our strategy.</p> <p>As detailed in paragraph 18 below the capital value of our external funds has fallen 10.91% in the last quarter, which is consistent across all local authorities that hold funds in pooled funds. The income return was and still remains the driver to invest, as forecast income is due to exceed budget.</p>

External Managed Investments

15. 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.
16. 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.
17. 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. Considering their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.
18. During the Quarter 3, financial markets experienced some relief from the losses endured through most of the year, although it was a mixed picture. Globally, equities saw positive returns as did some corporate bonds, but government bonds generally suffered as did Commercial property returns, which tend to operate on a lag. These saw significant declines over the quarter, as market pricing finally reflected the economic and interest rate environment. The overall April-December period remained a very difficult environment for almost all asset classes, largely driven by central bank rate increases in the fight against high inflation and Russia's continuing invasion of Ukraine.

The increase in policy rates in the UK, US and Eurozone and the prospect of low growth/recessionary period ahead was also challenging for equities, the FTSE All Share index falling from 4187 on 31st March to 4075 on 30th December, whilst the MSCI World Index fell from 3053 to 2602 over the same period. The fall in equity valuations is reflected in the equity and multi-asset income funds. Commercial property prices also fell for similar reasons, and this was reflected in the Authority's property fund.

Financial market volatility and uncertainty remain due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem yet to be fully resolved.

The change in the Authority's funds' capital values and income earned over the 9-month period is shown in Table 3 below. If rates remain at this level the total forecast dividend for the year is £1.07M.

Table 3 - Pooled Fund Performance (Year to Date)

Quarter Ending	Valuation £M	Movement since Reported in SOA	Divide £M
1st April	30.89		
30th June	32.51	1.61	0.26
30th September	31.13	0.23	0.30
31st December (Est)	26.31	(4.58)	0.28
Total			0.84

Financial Review and Outlook

19. 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 for the remainder of 2022/23 (based on 19th December 2022 interest rate forecast)

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00

20. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for December 2022 is based on the following underlying assumptions:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises in February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy but will be reluctant to do so until wage growth eases. Rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

21. The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.

Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.

The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power—recent data suggests the UK has passed peak inflation.

The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short-to medium-term outlook for the UK economy remains bleak.

Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.

	<p>Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight, and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.</p> <p>While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.</p>
	<p><u>Economic background</u></p>
<p>22.</p>	<p>The conflict in Ukraine continued to keep global inflation elevated and the UK and global economic outlook remains weak. Political uncertainty in the UK improved in the later part of the period following a change in government to what financial markets perceived as being more fiscally prudent.</p> <p>The economic backdrop during the April to December period continued to be characterised by high energy and commodity prices, high inflation and the associated impact on consumers' cost of living, as well as little likelihood that the Russia-Ukraine hostilities will end any time soon. China started to lift some of its zero-Covid policy restrictions at the end of the period causing a sharp increase in infections, but also leading to questions over potential under reporting of the number of cases by the Chinese government due to how it is counting the figures.</p> <p>Central Bank rhetoric and action continued to remain robust. The Bank of England, Federal Reserve and the European Central Bank all increased interest rates over the period and committed to fighting inflation, even in the face of potential recessions in those regions. UK inflation remained high, but there were tentative signs it may have peaked. Annual headline CPI registered 10.7% in November, down modestly from 11.1% in October. RPI was 14% in November, down from 14.2% in October, but slightly above expectations for a larger fall to 13.9%.</p> <p>The labour market remained tight but with some evidence of softening demand for new labour. The unemployment rate 3m/year for April-June was 3.8%, which declined to 3.6% in July-September and picked up again to 3.7% in October-December. The inactivity rate was 21.5% in the latest quarter, down by 0.1% compared to the previous period. Pay growth in October-December was 6.1% for both total pay (including bonuses) and for regular pay. Once adjusted for inflation, however, both measures fell by 2.7%.</p> <p>Household disposable income remained under pressure, pushing consumer confidence down to a record low of -49 in September, but following months showed registered modest improvements to December's reading of -42. Quarterly GDP for the April-June quarter was revised upwards to 0.2% (from -0.1%), following revisions to household and government spending, but fell by -0.3% in the July-September quarter, a larger decline than the -0.2% predicted.</p> <p>The Bank of England increased the official Bank Rate to 3.5% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with outsized hikes of 50bps in August and September, 75bps in November and then another 50bps in December. November's rise was voted by a majority of 7-2, with one MPC member preferring a 0.5% rise and another a 0.25% rise. The December vote was 6-3, with two members preferring to keep Bank Rate on hold at 3% while one member wanted a larger increase of 0.75%. Once again, the Committee noted that domestic</p>

	inflationary pressures are expected to remain strong and continuing rhetoric around combating inflation means further rate rises are predicted.
	<u>Financial markets</u>
23.	<p>Uncertainty remained a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates. In September and October, volatility in financial markets was significantly exacerbated by the fiscal plans of the then UK government, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling. However, the subsequent change of government leadership has led to gilts yields falling in November and December, albeit at higher levels compared to earlier in the period.</p> <p>Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the calendar year at 3.62%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.67%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 4.03%. The Sterling Overnight Rate (SONIA) averaged 1.75% over the period.</p>
	<u>Credit background</u>
24.	<p>During the last few months of the period, in October Fitch revised the outlook on the UK sovereign to negative from stable following the largely unfunded fiscal package announced at the time, and a few weeks prior revised the outlook on HSBC to stable from negative.</p> <p>Over the same timeframe Moody's also revised the UK sovereign to negative from stable, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.</p> <p>Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks earlier in the year (May), Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.</p> <p>Although local authorities remain under financial pressure, Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.</p> <p>Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased 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>
	<u>Revision to CIPFA Codes</u>
25.	<p>CIPFA published revised Prudential and Treasury Management Codes in December 2021. The Prudential Code took immediate effect although detailed reporting requirements could be deferred until the 2023/24 financial year and have not been included in this report whilst we are reviewing the impact of the proposed changes.</p>

26.	<p>The main changes or expected changes from previous codes include:</p> <ul style="list-style-type: none"> • Additional reporting requirements for the Capital Strategy. • For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the Authority’s overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services). • Forward looking prudential code indicators must be monitored and reported to members at least quarterly. • A new indicator for net income from commercial and service investments to net revenue stream. • Inclusion of the liability benchmark as a treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority’s full debt maturity profile. • Excluding investment income from the definition of financing costs. • Credit and counterparty policies should set out the Authority’s policy and practices relating to Environmental, Social and Governance (ESG) investment considerations. • Additional focus on the knowledge and skills of officers and elected members involved in decision making
27.	<p>Future long-term investments, such as CCLA will be prohibited but we will not need to unwind existing investments.</p>

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**

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. 	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"> • 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. • 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. • The appeals window for the 2017 rating list will be closed on 31 March 2023 and there may be an increase in the number of cases lodged as the deadline approaches. • 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. • Estimates have been made on the likely successful appeals against the 2023 rating list and provided for within estimates of collectable business rates. 	Possible	Significant

- **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.	Possible	Extreme	<ul style="list-style-type: none"> • Annual budget setting process developed in consultation with service managers • Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to the Executive Management Board (EMB) and Cabinet (Quarterly). • 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 within Children's Services intended to reduce the number of Looked After Children 	Possible	Major
FE6a.	Third party provider costs will increase as a result of the introduction of 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 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 • Market Sustainability and Fair Cost of Care grant funding has been received in 2022/23, at least 75% of which is to be used to increase fee rates (if rates are below the fair cost of care); further market sustainability funding has been announced for 2023/24 in the provisional local government finance settlement. 	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"> • There is a full and robust process around the financial and legal analysis of the individual investments. • 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

- 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 2022/23 and 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. The draft 2023 List shows that the rateable value of properties in Southampton has increased by 2.6%. This may impact on business rates collectability, however a transitional relief scheme will apply 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. 	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 	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 and Adult Social Care Precept were frozen in the 2022/23 budget. The February 2022 MTFS assumed increases of 1.99% for 'core' Council Tax and no increase in the Adult Social Care Precept for future years. • 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 2023/24 and 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 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 2022/23, so use of reserves may be required to meet any COVID-19 related 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. • No costing analysis has been provided so it is unclear whether the quantum of funding identified at a national level will 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. • The Local Government Finance Policy Statement published in December 2022 and the provisional local government finance settlement confirmed that the funding for the Health and Social Care Levy will be removed from the Services Grant for 2023/24, following its scrapping. 	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	<p><i>The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.</i></p>	Possible	Significant
FR11.	Inflation increases at a higher rate than anticipated	Likey	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 2022/23. CPI is currently running at 10.5% (December 2022), well above the level that 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 model approved in February 2022 was based on a pay award of 2.5% for 2022/23 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. • A £1,925 flat rate increase on all spinal column points was agreed for 2022/23. This is equivalent to a 5.6% increase for the Council. 	Likely	Significant

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"> • <i>National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment.</i> • <i>There may be either pressure or incentives for non UK owned business to move operations back to within an EU country.</i> • <i>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.</i> 	Likely	Significant
-------	--	--------	-------------	--	--------	-------------

- Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
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. 	Unlikely	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.	Possible	Extreme	<ul style="list-style-type: none"> • The cumulative DSG deficit, forecast to be £10.24M at the end of 2022/23, is being held in a separate account in accordance with legislation. The statutory override initially ran until the end of 2022/23, however the Local Government Finance Policy Statement in December 2022 announced that the override would be extended until the end of 2025/26. • Work is being undertaken as part of the DfE programme Delivering Better Value in Special Education Needs & Disabilities to reduce costs. 	Unlikely	Major
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.	Reserves are used up. This adversely impacts on financial resilience and also restricts the funding/investment available for any transformation work and invest to save proposals	Likely	Extreme	<ul style="list-style-type: none"> • The 2022/23 overspend will deplete the MTFR reserve as it stands by £10.3M. • Major use of the MTFR reserve for the 2023/24 budget is anticipated (as reported elsewhere on the agenda) potentially depleting it under £12M. • More work is needed on the 2023/24 budget, both now and during 2023/24 itself, to find ways to balance the budget but which rely less on such as large drawdown from reserves. 	Possible	Extreme

Agenda Item 8

FINANCIAL PERFORMANCE INDICATORS – QTR 3 2022/23 Appendix 5

Prudential Indicators Relating to Treasury

	<u>Maximum</u>	<u>Forecast</u>	<u>Status</u>
Maximum Level of External Debt £M	£975M	£380M	Green
As % of Authorised Limit	100%	38.97%	Green
	<u>Maximum</u>	<u>Highest YTD</u>	<u>Status</u>
Authorised Limit for external debt £M	£975M	£338M	Green
Operational Limit for external debt £M	£850M	£338M	Green
Maximum external borrowing year to date	£785M	£277M	Green
Limit of fixed interest debt %	100%	84.1%	Green
Limit of variable interest debt %	50%	15.9%	Green
Limit for Non-specified investments £M	£100M	£28M	Green
Other Treasury Performance Indicators	<u>Target</u>	<u>Actual Qtr 3</u>	<u>Status</u>
Average % Rate Long Term New Borrowing	2.40%	3.44%	Red
Average % Rate Existing Long Term Borrowing	3.00%	2.85%	Green
Average Short Term Investment Rate - Cash	0.01%	3.37%	Green
Average Short Term Investment Rate – Fixed	0.01%	1.98%	Green
Average Long Term Investment Rate - Bonds	2.00%	5.27%	Green
Average Return on Property Fund	4.00%	3.84%	Amber
Average Return on All Investments	2.40%	3.64%	Green

Minimum Level of General Fund Balances

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

Income Collection

	<u>2022/23 Target</u>	<u>Qtr 3 YTD</u>	<u>Status</u>
Collection rate	>100%	104.10%	Green
Average days sales outstanding	</= 62 days	64	Amber
Outstanding debt more than 12 months old	</= 20.52%	33.64%	Red
Debt written off	</= 1%	0.48%	Green

Creditor Payments

	<u>2022/23 Target</u>	<u>Qtr 3 YTD</u>	<u>Status</u>
Valid and undisputed invoices paid within 30 days	96%	86.79%	Red

Tax Collection rate

	<u>2021/22</u> <u>Actual</u> <u>Rate</u>	<u>Target</u> <u>Collection</u> <u>Rate</u>	<u>Qtr 3 Collection Rate</u>		<u>Status</u>
			<u>Last Year</u>	<u>This Year</u>	
Council Tax	92.67%	95.20%	78.80%	79.29%	Amber
National Non Domestic Rates	95.90%	97.56%	80.41%	85.80%	Green

Agenda Item 8

Appendix 6

HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2022/23

The Housing Revenue Account is currently forecast to have a nil variance against the budgeted deficit for the year, no movement from the position forecast at quarter 2.

	Budget Qtr 3	Annual Forecast Qtr 3	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Variance Movement from Qtr 2
	£M	£M	£M	£M	£M
Expenditure					
Responsive & cyclical repairs	20.63	21.43	0.80 A	0.82 A	0.02 F
Rents payable	0.10	0.20	0.10 A	0.10 A	0.00
Debt management	0.08	0.08	0.00	0.00	0.00
Supervision & management	25.05	25.51	0.46 A	0.80 A	0.34 F
Interest & principal repayments	5.16	4.76	0.40 F	0.30 F	0.10 F
Depreciation	23.76	21.86	1.90 F	1.90 F	0.00
Direct revenue financing of capital	2.54	2.38	0.16 F	0.14 F	0.02 F
Total Expenditure	77.33	76.22	1.11 F	0.62 F	0.49 F
Income					
Dwelling rents	(71.84)	(70.43)	1.41 A	0.62 A	0.79 A
Other rents	(1.18)	(1.47)	0.28 F	0.00	0.28 F
Service charge income	(2.34)	(2.35)	0.02 F	0.00	0.02 F
Leaseholder service charges	(1.05)	(1.05)	0.00	0.00	0.00
Interest received	0.00	0.00	0.00	0.00	0.00
Total Income	(76.41)	(75.30)	1.11 A	0.62 A	0.49 A
(SURPLUS)/DEFICIT	0.92	0.92	0.00	0.00	0.00

NB Numbers are rounded

The SIGNIFICANT movements between quarter 2 and quarter 3 for the HRA are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 £M	Explanation:
Supervision & Management	0.34 F	The favourable variance on Supervision & Management arises from a revised energy forecast following confirmation of Q1 and Q2 costs of £0.37M, improved major repairs charges recovery of £0.08M, and grant funding of £0.09M towards rough sleeper staffing costs. There is an adverse movement of £0.2M due to an estimated increase in bad debt provision as debt arrears remains high.
Rental Income	0.79 A	The adverse variance relates to continuing high void costs which results partly from properties awaiting demolition and partly from high void turnaround times.
Other rents	0.28 F	The favourable variance on Other Rents relates to commercial property income, which has performed better than the budget expectation.

Landlord Controlled Heating Account

The Council provides landlord controlled heating to 5,664 tenants and leaseholders across the City. Costs are incurred by the Council in respect of electricity, gas and geothermal power, and are subsequently recharged to tenants. The charges to tenants increased in 2022/23 by 16%, and energy costs have significantly increased (88% for electricity, 150% for gas). The current projected deficit on the account for 2022/23 is as follows:

	£M
Forecast energy cost	7.50
Forecast full year income	(4.60)
In-Year Deficit	2.90
Deficit brought forward from 2021/22	0.88
Deficit carried forward to 2023/24	3.78

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2023

	Current Budget 2022/23 £M	Forecast 2022/23 £M	Variance Adverse / (Favourable) 2022/23 £M
Council Tax			
Total Council Tax Income	(128.46)	(128.02)	0.44
Total Council Tax Expenditure (incl. precepts)	131.37	131.08	(0.29)
Council Tax Deficit/(Surplus) for the Year	2.92	3.07	0.15
Council Tax Deficit/(Surplus) Brought Forward	(2.65)	(2.76)	(0.11)
Council Tax Deficit/(Surplus) Carried Forward	0.26	0.31	0.04
Business Rates			
Total Business Rates Income	(123.32)	(115.59)	7.73
Total Business Rates Expenditure	99.05	95.04	(4.01)
Business Rates Deficit/(Surplus) for the Year	(24.27)	(20.56)	3.72
Business Rates Deficit/(Surplus) Brought Forward	26.26	17.11	(9.15)
Business Rates Deficit/(Surplus) Carried Forward	1.99	(3.45)	(5.44)
Total Collection Fund (Surplus)/Deficit	2.26	(3.14)	(5.40)
Council Tax (Surplus)/Deficit			
Contribution (to)/ from SCC		0.26	
Contribution (to)/ from HPCC		0.04	
Contribution (to)/ from H and IOW F&R		0.01	
Council Tax Collection Fund Balance c/f		<u>0.31</u>	
NDR (Surplus)/Deficit			
Contribution (to)/ from SCC		(1.69)	
Contribution (to)/ from DLUHC		(1.72)	
Contribution (to)/ from H and IOW F&R		(0.03)	
NDR Collection Fund Balance c/f		<u>(3.45)</u>	
Total SCC (Surplus)/Deficit		<u>(1.43)</u>	
ADD: Variance in grant estimated as due from Government (General Fund)		(1.32)	
ADD: Shortfall in grant income c/f from 2021/22 due to deferral of CARF schei		4.43	
NET SCC (Surplus)/Deficit for future budget purposes at Qtr 3		<u><u>1.69</u></u>	

This page is intentionally left blank

Agenda Item 8

Appendix 8

CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2022					
1.	Table 1 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £356.25M and £267.12M for the HRA.				
2.	Due to the current financial environment, there has been a 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 more than double since the budgets were set in February 2022.				
3.	Details of changes made since the quarter 1, totalling a net increase of £3.12M can be found in annex 2.1. All additions were made in previous Cabinet/Council papers.				
	Table 1 – Changes to Portfolio Programmes				
		Latest Programme £M	Previous Programme £M	Total Change £M	
	Children & Learning	71.34	71.34	0.00	
	Communities & Customer Engagement	0.72	0.72	0.00	
	Economic Development	4.37	4.37	0.00	
	Finance & Change	22.90	19.90	3.00	
	Health, Adults & Leisure	18.35	18.35	0.00	
	Housing & the Green Environment	32.85	32.85	0.00	
	Leader	9.72	9.72	0.00	
	Safer City	0.66	0.66	0.00	
	Transport & District Regeneration	195.35	195.23	0.12	
	Total GF Capital Programme	356.25	353.13	3.12	
	Housing Revenue Account	267.12	267.12	0.00	
	Total Capital Programme	623.37	620.25	3.12	
	NB. there may be small arithmetic variations in the table as figures have been rounded				
	20202/23 MONITORING POSITION				
4.	The forecast performance of individual capital programmes in 2022/23 is summarised in table 2 below.				
	Table 2 – Summary of the General Fund & HRA Capital Forecast 2022/23				
		Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
	Children & Learning	21.29	20.80	(0.49)	(2.30)
	Communities & Customer Engagement	0.72	0.72	0.00	0.00
	Economic Development	2.92	1.78	(1.15)	(39.16)
	Finance & Change	9.06	8.31	(0.75)	(8.28)
	Health, Adults & Leisure	3.04	2.82	(0.22)	(7.25)

	Housing & the Green Environment	14.53	11.13	(3.40)	(23.39)
	Leader	3.55	2.17	(1.38)	(38.91)
	Safer City	0.66	0.66	0.00	0.00
	Transport & District Regeneration	62.90	58.13	(4.77)	(7.58)
	Total General Fund	118.68	106.53	(12.15)	(10.24)
	Housing Revenue Account	46.20	38.25	(7.95)	(17.20)
	Total Capital Programme	164.88	144.78	(20.10)	(12.19)
	<u>Financed by</u>				
	*CR - GF Borrowing	(43.93)	(30.89)	(13.04)	(29.68)
	*CR - HRA Borrowing	(15.22)	(11.88)	(3.34)	(21.94)
	Capital Receipts	(4.81)	(4.24)	(0.57)	(11.85)
	Contributions	(13.98)	(19.10)	5.12	36.62
	Capital Grants	(59.02)	(54.22)	(4.80)	(8.13)
	Direct Revenue Financing	(2.18)	(2.00)	(0.18)	(8.26)
	HRA – MRA	(25.74)	(22.45)	(3.29)	(12.78)
	Total Funding	164.88	144.78	(20.10)	(12.19)
	*CR – Council Resources NB there may be small arithmetic variations in the table as figures have been rounded				
5.	The forecast spend for 2022/23 is £144.78M, giving a total forecast favourable variance of £20.10M, which is a combination of £17.66M net slippage and rephasing and £2.43M potential surplus, as detailed in table 3 below.				
6.	<u>Table 3 – Breakdown of 2022/23 Forecast Variance</u>				
		(Surplus)/ Deficit £M	(Slippage)/ Rephasing £M	Total £M	
	Children & Learning	(0.08)	(0.41)	(0.49)	
	Communities & Customer Engagement	0.00	0.00	0.00	
	Economic Development	(0.09)	(1.06)	(1.15)	
	Finance & Change	(0.05)	(0.70)	(0.75)	
	Health, Adults & Leisure	0.00	(0.22)	(0.22)	
	Housing & the Green Environment	0.09	(3.49)	(3.40)	
	Leader	0.00	(1.38)	(1.38)	
	Safer City	0.00	0.00	0.00	
	Transport & District Regeneration	(0.42)	(4.35)	(4.77)	
	Total General Fund	(0.54)	(11.61)	(12.15)	
	Housing Revenue Account	(1.89)	(6.05)	(7.95)	
	Total Capital Programme	(2.43)	(17.66)	(20.10)	
	NB. there may be small arithmetic variations in the table as figures have been rounded				

7.	The General Fund programme forecast position is a surplus of £0.54M and the HRA is £1.89M. The reasons for the major forecast surplus/deficit variance are detailed in Annex 2.2.
8.	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. Following the continuing review to ensure that all projects are accurately profiled, and budgets are suitably aligned to anticipated works and spend, there is £11.61M of General Fund and £6.05M of HRA 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 2.3. These changes in spend profile will be reflected in the February budget report.
CAPITAL RESOURCES	
9.	The resources which can be used to fund the capital programme are as follows: <ul style="list-style-type: none"> • 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
10.	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.
11.	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 2022/23 these grants have been passported to these areas.
12.	Annex 2.4 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 2021/22 and in 2022/23 for which the works are still being scoped and will be added to the programme as part of the February budget paper. All S106 contributions come with specific conditions as to how the money must be spent.
OVERALL CAPITAL PROGRAMME AND FINANCING	
13.	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 2.5.
14.	The most significant amount of funding for the General Fund programme is provided by capital grants. Previously council resources, which at present, is mainly through borrowing. 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).
<u>SUPPORTING DOCUMENTATION</u>	
Annexes	

1.	GF & HRA Programme Changes Since Last Reported Position
2.	GF & HRA Major Forecast Variances as at December 2022
3.	GF & HRA Slippage & Rephasing as at December 2022
4.	GF Capital Resources Available as at December 2022
5.	GF & HRA Revised 5 Year Programme and Use of Resources.

GENERAL FUND & HRA: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Portfolio	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source
<u>Additions to the Programme</u>				
Finance & Change	Transformation Projects	<u>3.00</u>	*	Capital Receipts
Transport & District Regeneration	Transforming Cities Fund (TCF)	<u>0.12</u>	*	Contributions
Total Additions to the GF Programme		<u><u>3.12</u></u>		
Total Variations to the Overall Programme		<u><u>3.12</u></u>		
		£M		
* - Approved By Council/Cabinet		3.12		
** - Approved under Delegated Powers		0.00		
^ - Require Approval		<u>0.00</u>		
Total Variations to the Overall Programme		<u><u>3.12</u></u>		

This page is intentionally left blank

Forecast Major GF & HRA Variance Since Last Reported Position

	HOUSING & THE GREEN ENVIRONMENT
1.	<p><u>Warm Homes (Deficit of £0.29M in 2022/23)</u> Due to significantly increased demand on the service following the increase in fuel costs in 2022/23. Better Care Fund has agreed to contribute £0.25m of DFG funding to the Healthy Homes project to ensure that the most vulnerable have access to support to reduce energy bills, and zero carbon initiatives will continue to be met from s106 zero carbon contributions.</p>
2.	<p><u>S106 – Parks & Open Spaces (Surplus of £0.20M in 2022/23)</u> Funding has been used to fund project within the programme and is therefore no longer available within this project. This project code was set up to hold unallocated funds which has been earmarked for future park & open spaces projects, as per the terms of the S106 agreements. As part of the February budget report this budget will be allocated to accurately reflect the spending plans for the S106 contributions.</p>
	TRANSPORT & DISTRICT REGENERATION
3.	<p><u>Bridges (Surplus of £0.95M in 2022/23)</u> Final costings have now been received for the programme and have come in £0.40M less than anticipated and £0.55M had been set aside for repairs to Itchen Bridge, which is now being taken forward as a separate project. This surplus will be used to offset the deficit on the highways programme.</p>
4.	<p><u>Footways/Pavements (Surplus of £0.55M in 2022/23)</u> All the projects that can be delivered in year, have now been scoped and costed by our strategic partner, BBLP there is a forecast surplus. This surplus will be used to offset the deficit on the roads programme.</p>
5.	<p><u>Road Programme (Deficit of £1.08M in 2022/23)</u> Over the Summer there has been a drive to complete a large number of projects, as part of the Additional Road Programme. Unfortunately, due to increasing costs caused by inflationary pressures, availability of resources and changes to scope, there is forecast deficit of £1.08M, which has reduced from the previous quarter of £2.14M. the deficit will be completely offset by the £1.5M surplus detailing paragraphs 3 and 4.</p>
	HRA
6.	<p><u>Communal Areas Works (Deficit of £0.28M in 2022/23)</u> Deficit due to unbudgeted costs replacing leaseholder doors that the leaseholders pay for. Therefore, as part of the February budget this project budget will need to be increased and fully funded by leaseholder contributions.</p>
7.	<p><u>Door Entry Systems (Deficit of £0.20M in 2022/23)</u> The programme has identified that additional work is needed to be carried out within the existing tender by installing communal doors at Thornhill Towers blocks.</p>

8.	<u>Electrical Heating Systems (Surplus of £1.30M in 2022/23)</u> CityEnergy currently delivering works to 172 properties across the City. LADS2 Gov. grant funding secured and used to upgrade heating to properties identified as poor thermal performance. However, progress has been hindered by recruitment issues and therefore, this budget will be incurring a slightly reduced surplus than previously reported (£1.6m).
9.	<u>HFRS Fire Safety / Sprinkler Project (Deficit of £0.98M in 2022/23)</u> High risk identified in latest Fire Risk Assessment not identified in previously and work needs to be undertaken to ensure resident safety and avoid enforcement action.
10.	<u>Remedial Works - Compliance Inspections (Deficit of £0.30M in 2022/23)</u> Overspend due to undertaking repairs and maintenance to fire doors as identified in Fire Door Inspection Programme. This is a new cost due to complying with fire safety legislation as required under the Fire Safety Act and Building Safety Act. As a result, this project will incur a deficit in 2022/23.
11.	<u>Block Modernisation Programme (Deficit of £1.55M in 2022/23)</u> Deficit due to unbudgeted costs replacing leaseholder doors that the leaseholders pay for. Therefore, as part of the February budget this project budget will need to be increased and fully funded by leaseholder contributions.
12.	<u>External Windows and Doors (Surplus of £0.75M in 2022/23)</u> Phase One works are being undertaken by Housing Operations and it has taken longer than anticipated to mobilise the project due to resource and access issues. The tender package for Phase Two works to low and medium rise blocks has been amended to accommodate window and door replacements to housing stock to support delivery by Housing Operations.
13.	<u>Lift Refurbishment - Shirley Towers (Surplus of £0.72M in 2022/23)</u> The contractor has experienced difficulties due to delays in obtaining materials and commencing works. As a result, the proposed accelerated works has not been achieved.
14.	<u>Decent Neighbourhoods Projects (Surplus of £0.45M in 2022/23)</u> The improvements designed for Hightown Towers, Dumbleton Towers and Meredith Towers have been slowed down to allow the ongoing problems with the ECO works which need to be completed first. As a result, the project will incur a surplus and future works will be covered by the set budgets.
15.	<u>Millbrook House - EWI Upgrade (Surplus of £0.28M in 2022/23)</u> The works on this project are being considered within a retrofit programme to better deliver elements of the "Making Homes Energy Efficient" portfolio of projects by Asset Management. Therefore, no further works are planned on this project for 2022/23.

16.	<u>Electrical System Upgrades/Refurbishments (Surplus of £0.24M in 2022/23)</u> Housing Operations have struggled to recruit to deliver, as well as identifying properties that need full rewires. Also, labour has been directed away to ensure delivery of other projects. Works are only carried out if a full re wire is needed now. As a result, this project will incur a surplus in 2022/23.
-----	--

This page is intentionally left blank

Major GF & HRA Slippage & Rephasing Since Last Reported Position

CHILDREN & LEARNING	
1.	<u>SEND Review (Slippage £2.46M from 2022/23, £21.85M from 2023/24, £10.29M from 2024/25, £8.78M into 2025/26. £25.82M into 2026/27)</u> Following the outcome of the feasibility studies a report is being taken to Cabinet to agree how the project should proceed. Based on this proposed programme of works a new, more realistic, profile has been established.
2.	<u>Schools Condition Works (Slippage of £2.00M from 2022/23 to 2023/24)</u> There are a number of schemes within the Schools Condition Works that require to be slipped to 2023/24 due to either scope being developed or school holiday working. The main schemes are: <ul style="list-style-type: none"> • Compass school door & roof replacement £0.73M • Regents Park Roof £0.57M • Oakwood Primary Windows and Roof £0.64M
3.	<u>St Georges Expansion (Slippage of £1.94M from 2022/23 to 2023/24)</u> Major issues with the original Contractors tender evaluation, so the decision was taken to re-tender, which is still ongoing. Due to escalating construction costs there may be a potential budget shortfall in 2023/24.
4.	<u>Regent Park Sports Facility (Slippage £1.32M from 2022/23 into 2023/24)</u> Tendering/ Scoping of the scheme has identified a potential budget shortfall of circa £0.35M. Whilst the scope is being assessed to come within budget the project has been delayed.
5.	<u>Townhill Junior School Roof (Slippage of £1.30M from 2022/23 into 2023/24)</u> Scheme had been delayed largely due to a submission to the DFE for funding for a new school which proved unsuccessful. Initial scoping of the work indicates a potential budget shortfall which needs resolving before the project can proceed.
6.	<u>Newlands Hearing Centre (Slippage of £0.50M from 2022/23 into 2023/24)</u> As with a number of schemes within the current economic climate a potential budget shortfall is in the process of being scoped.
7.	<u>Early Years Expansion Programme (Slippage of £0.23M from 2022/23 to 2023/24)</u> Delays to a couple of schemes totalling £0.08M plus £0.14M of contingency.
HEALTH, ADULTS & LEISURE	
8.	<u>Holcroft House Fire Safety Measures (Slippage of £0.40M from 2022/23 into 2023/24)</u> There has been a delay to the works due to the identification of asbestos within the building. This has resulted in revising the scheduled plan to enable any additional works that may be required. The current planned works are now not starting until October 22 onwards with work carrying on into 2023/24.

	HOUSING & THE GREEN ENVIRONMENT
9.	<u>Solar Powered Compactor Bins (Slippage of £0.43M from 2022/23 into 2023/24)</u> Following a review of the capital programme, the decision was taken to phase the project over a longer period.
	LEADER
10.	<u>Restoring and Promoting Heritage Assets (Slippage of £2.09M from 2022/23 and £0.27M from 2023/24 to 2024/25)</u> This budget has been reprofiled to align with the planned programme of works for restoring the heritage assets now that this schedule has been established. The programme is no longer being accelerated to meet the City of Culture deadline.
	TRANSPORT & DISTRICT REGENERATION
11.	<u>Bridges (Slippage of £0.86M from 2022/23 to 2023/24)</u> This is predominately due to the works on Millbrook footbridge now being undertaken in 2023/24. A number of smaller projects have been delayed due to factors outside our control where we are awaiting input from external partners.
12.	<u>Future Transport Zone (Slippage of £0.86M from 2022/23 to 2023/24)</u> The delivery of some elements of the FTZ programme has been impacted by external factors outside of the direct control of the programme team (primarily delays incurred to project delivery associated to COVID 19 and recruitment/retention of staff). The slippage reflects those delays, while ensuring that all funding bid objectives are achieved.
	HRA
13.	<u>Communal Areas Works (Rephase of £0.20M from 2023/24 into 2022/23)</u> The contractors have identified doors to be prioritised and are able to bring works forward from 2023/24 into 2022/23. Therefore, this project will be rephased.
14.	<u>Block Modernisation Programme (Rephase of £1.80M from 2025/26 into 2022/23)</u> The rephase is due to the fire door replacement works currently ahead of programme, therefore, the project will bring forward budget from 2025/26 to continue progress.
15.	<u>Roofing Lot 1 West (Slippage of £0.93M from 2022/23 into 2023/24)</u> The Flat Roofing Contractor has experienced difficulties in programme due to delays in obtaining materials and commencing works at one large roof. As a result, the proposed accelerated works has failed to the volume requested.
16.	<u>Townhill Park Regeneration (Slippage of £0.33M from 2022/23 into 2023/24)</u> There has been slower than anticipated decommissioning (decanting tenants and leasehold buy backs). The demolition of Plot 9 Kingsdown Way blocks has not proceeded because the council doesn't have vacant possession of the site due to one leaseholder remaining in situ.

17.	<u>ECO - Canberra Towers (Slippage of £0.31M from 2022/23 into 2023/24)</u> Due to the nature of the project works and sensitivity are currently around High-Rise Tower Blocks, relating to Fire Safety there has been more scrutiny about the contract, design, and delivery. Therefore, the consultant delivery of Stages 0-3 has commenced later than expected and costs for this year for the project are only at Stage One for feasibility. The project budget was set ahead of the full brief and any initial feasibility/pre-tender estimates. These activities have delayed the project delivery and will change the scope for the project. Therefore, the bulk of the works is likely to start in 2023/24.
18.	<u>GN New Homes (Slippage of £1.35M from 2022/23 into 2023/24)</u> Design work on Plots 2, 9 and 10 have largely been on hold for most of the financial year due to financial viability testing. This has meant that design work and planning applications have not progressed as anticipated. Consequently, there has been no spend against the PCSA contract.
19.	<u>Oaklands Site (Slippage of £1.07M from 2022/23 into 2023/24)</u> There are delays to completion caused by defective fire stopping works and as of the current date only 48 of 103 properties have been handed over. All units were due to complete by May 2022. Because of SCC's ability to deduct Liquidated Damages, Drew Smith have stopped making interim certificate payment applications, so there have been no works costs spend for months, because SCC would issue 'pay less notices' and effectively pay nothing anyway.
20.	<u>Passive Fire Safety (Slippage of £0.40M from 2022/23 into 2023/24)</u> The due to the delay in progressing the procurement and a change to the procurement approach, the project has been separated now into two procurements, with only one progressing at this stage. It was anticipated that at this point we would be further ahead with the procurement and legal process and therefore this has impacted the forecast spend for 2022/23.
21.	<u>Sprinkler Work (Slippage of £1.25M from 2022/23 into 2023/24)</u> The project had to be re-tendered, and the scope of works changed by omitting and adding blocks. Project was delayed due to need to re-tendering process. However, tenders have been received recently and Harmony was appointed as the contractor. The first batch of orders were raised, but the project is still behind programme.
22.	<u>Wyndham Court Refurbishment (Slippage of £0.82M from 2022/23 into 2023/24)</u> The project has been faced with delays due to the tendering process, however, contractor in place but the contractor is yet to sign the contract. Therefore, as a result this project will incur a slippage.
23.	<u>1,000+ Parking Spaces (Slippage of £1.31M from 2022/23 into 2023/24)</u> While the 1000 parking spaces project is being reviewed only projects currently in progress will be completed in 2022/23. The remaining funding will be slipped into 2023/24 pending the outcome of the review.

This page is intentionally left blank

Agenda Item 8

Appendix 12

Capital Resources Available as at December 2022 (Capital Receipts; Community Infrastructure Levy and Section 106 funds)

Resource	Balance Bfwd £M	Received to Date 2022/23 £M	Allocated to Current Programme £M	Ear- marked £M	Available Funding £M	Anticipated Receipts in Year £M
Capital Receipts	(1.84)	(0.15)	2.28	0.00	0.00	(1.80)
CIL	(15.56)	(0.72)	22.07	1.00	0.00	(0.24)
S106	(9.43)	(1.03)	8.23	0.00	(2.23)	(0.10)
	(26.83)	(1.90)	32.58	1.00	(2.23)	(2.14)

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

General Fund Capital Receipts Forecast

	Bfwd £M	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M
Current Forecast	(1.84)	(1.95)	(0.00)	0.00	0.00	0.00	(3.79)

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

This page is intentionally left blank

Agenda Item 8

Appendix 13

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

Programme Comparison

	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M
Revised Programme	164.87	198.12	98.46	70.44	91.46	623.37
Previous Programme	168.41	191.47	98.46	70.44	91.46	620.25
Movement	(3.53)	6.65	0.00	0.00	0.00	3.12

Programme	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M
Children & Learning	21.29	11.51	3.93	8.78	25.82	71.34
Communities & Customer Engagement	0.72	0.00	0.00	0.00	0.00	0.72
Economic Development	2.92	1.44	0.00	0.00	0.00	4.37
Finance & Change	9.06	10.85	2.99	0.00	0.00	22.90
Health, Adults & Leisure	3.04	9.01	6.30	0.00	0.00	18.35
Housing & the Green Environment	14.53	4.62	6.00	6.20	1.50	32.85
Leader	3.55	3.83	2.35	0.00	0.00	9.72
Safer City	0.66	0.00	0.00	0.00	0.00	0.66
Transport & District Regeneration	62.90	59.29	18.52	22.94	31.70	195.35
Total General Fund	118.68	100.55	40.09	37.92	59.02	356.25
Housing Revenue Account	46.20	97.57	58.38	32.52	32.44	267.12
TOTAL CAPITAL PROGRAMME	164.88	198.12	98.46	70.44	91.46	623.37

Use of Resources

*CR - GF Borrowing	(43.93)	(43.88)	(20.00)	(10.10)	(29.51)	(147.42)
*CR - HRA Borrowing	(15.22)	(58.82)	(27.98)	(4.40)	(4.40)	(110.82)
Capital Receipts	(4.81)	(14.83)	(4.82)	(1.99)	(1.99)	(28.44)
Direct Revenue Financing	(13.98)	(10.35)	(6.50)	(6.95)	(2.25)	(40.02)
Capital Grants	(59.02)	(44.52)	(13.59)	(20.87)	(27.26)	(165.26)
Contributions	(2.18)	(1.40)	(0.56)	(0.48)	(0.48)	(5.09)
HRA – MRA	(25.74)	(24.33)	(25.01)	(25.66)	(25.58)	(126.32)
Total Financing	(164.88)	(198.12)	(98.46)	(70.44)	(91.46)	(623.37)

*CR – Council Resources

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

This page is intentionally left blank

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	THE REVENUE BUDGET 2023/24, MEDIUM TERM FINANCIAL STRATEGY AND CAPITAL PROGRAMME		
DATE OF DECISION:	21 FEBRUARY 2023 (CABINET) 22 FEBRUARY 2023 (COUNCIL)		
REPORT OF:	CABINET MEMBER FOR FINANCE AND CHANGE		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
	Name:	John Harrison	Tel: 023 80834897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title:	Head of Financial Planning & Management	
	Name:	Steve Harrison	Tel: 0739 2864525
	E-mail:	Steve.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

Appendix 7 is exempt from publication by virtue of category 3 of rule 10.4 of the Council's Access to Information Procedure Rules i.e. information relating to the financial or business affairs of any particular person. It is not in the public interest to disclose this information due to an ongoing commercial dispute which is subject to a protected alternative dispute resolution procedure. If the information was disclosed then the Council's financial position would be available to other parties to the dispute and prejudice the Council's ability to achieve best value.

EXECUTIVE SUMMARY

This report details the revenue budget for 2023/24 and the Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2026/27. It provides detail to inform Council in setting council tax and rents for 2023/24.

The report also sets out the Capital Strategy and Flexible Use of Capital Receipts Strategy and provides details of the capital programmes for the General Fund and Housing Revenue Account (HRA) for the period 2022/23 to 2027/28.

The report identifies how the 2023/24 budget has been balanced since the forecast shortfall reported to Cabinet on 8 November 2022, which was £28.9M. It outlines how additional funds arising from the November 2022 Autumn Statement and confirmed in the local government finance settlement, including extra council tax flexibilities (£3.3M), together with further savings (£4.98M) and use of reserves (£22.0M) have helped both balance the budget and meet new pressures arising since November.

The importance of the services provided by Southampton City Council to our local residents, businesses and communities continues to be very evident and the Council has set out very clear aims around fulfilling Southampton's huge potential over the coming years. The Council's budget setting process therefore centres around the goals contained within the City Council Corporate Plan

to ensure resources are directed towards agreed priorities. The budget is presented to show the resources being allocated to these organisational goals. These goals are as follows:

- Strong foundations for life
- A proud and resilient City
- A prosperous City
- A successful sustainable organisation

The process matches available resources with our delivery of our priorities so that we focus and protect our efforts and spending where it will have most benefits.

The financial pressure caused by the pandemic, followed by the much more difficult economic situation which has emerged in this last year are a challenge to many councils, especially those with social care responsibilities and rising demand pressures. This was recently in evidence in the joint letter Kent and Hampshire County Councils wrote to the Government in November 2022, referring to their budget deficits being on a scale that has never been seen before and not of their own doing, with budgets at breaking point. Southampton City Council is therefore part of a cohort of authorities under severe financial stress.

Details of the budget and capital programme are included in the following appendices and annexes thereto:

Appendix 1 The Revenue Budget 2023/24 and Medium Term Financial Strategy 2023/24 to 2026/27

Appendix 2 The Capital Strategy

Appendix 3 The Flexible Use of Capital Receipts Strategy

Appendix 4 The General Fund Capital Programme 2022/23 to 2027/28

Appendix 5 The HRA Budget 2023/24 and Capital Programme 2022/23 to 2027/28

RECOMMENDATIONS:

CABINET

Cabinet is recommended to:

General Fund Revenue

	i)	Note the forecast outturn position for 2022/23 as set out in paragraphs 26 to 28 of Appendix 1.
	ii)	Note the revised Medium Term Financial Strategy 2023/24 to 2026/27 as detailed in paragraphs 69 to 76 of Appendix 1 and Annex 1.1.
	iii)	Note the aims and objectives of the Medium Term Financial Strategy which will be presented to council for approval on 22 February 2023 as set out in paragraph 32 of Appendix 1.
	iv)	Note that formal budget consultation began on 9 November 2022 and ended on 10 January 2023, although comments submitted after this date will be considered where possible. The outcome of the consultation is outlined in paragraphs 54 to 60.
	v)	Note that the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 61 to 64. The updated ESAs and Cumulative Impact Assessment are available documents in the Members' Room.
	vi)	Note that the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes for 2023/24 an increase in the 'core' council

		tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	vii)	Note that the report identifies General Fund pressures totalling £28.22M in 2023/24, falling to £26.52M in 2026/27, as detailed in paragraph 53 of Appendix 1.
	viii)	Note that savings proposals totalling £22.03M are included in the 2023/24 General Fund Revenue Budget, reducing to £19.27M in 2026/27, as detailed in paragraph 57 of Appendix 1.
	ix)	Delegate authority to the Head of Supplier Management, after consultation with the Cabinet Member for Transport and District Regeneration, to approve amendments to the Part-night Street Lighting Exemptions Scheme set out in Annex 1.7.
	x)	Note that the budget sets the Band D Council Tax for Southampton City Council at £1,726.47 for 2023/24, a Net Budget Requirement of £221.45M and the Council Tax Requirement for 2023/24 at £115.77M as per Annex 1.2.
	xi)	Notes and endorses the Statement of the S151 Officer as set out in paragraphs 20 to 45 on the robustness of the budget and the adequacy of the council's reserves. In particular the precarious financial position of the authority, the high level of financial risk currently faced and the lack of adequacy of reserves in the light of these risks and that work must continue at pace to lower reliance on reserves as remaining unallocated reserves (estimated at £10.3M) will be exhausted in 2024/25 at the latest, and potentially earlier in 2023/24 should the risks identified in this report materialise.
	xii)	Note that work will continue to review opportunities and proposals to address the 2024/25 and future years budget shortfall and to help mitigate the high level of financial risk within the budget.
	xiii)	Note and recommend to Council where appropriate, the MTFs and General Fund Revenue Budget changes as set out in Council recommendations i) to xvii).
	xiv)	Note CIPFA's code of practice on financial management set out in paragraphs 50 to 53 and that good financial management is assigned to all senior management levels in the Council as well as councillors.

Capital Strategy

	xv)	Note that a review of the Council's Capital Strategy has been undertaken as detailed in Appendix 2.
	xvi)	Note that a review of the Council's MRP (Minimum Revenue Provision) Strategy has been undertaken as detailed in Annex 2.1.
	xvii)	Note that a review of the Council's Investment Strategy has been undertaken as detailed in Annex 2.2.

Flexible Use of Capital Receipts Strategy

	xviii)	Note the Council's Flexible Use of Capital Receipts Strategy as detailed in Appendix 3.
--	--------	---

General Fund Capital Programme

	xix)	Note the revised General Fund Capital Programme, which totals £367.41M (as detailed in paragraphs 2 to 6 of Appendix 4) and the associated use of resources.
--	------	--

xx)	Note that £10.45M has been added to the General Fund programme, with approval to spend. These additions are detailed in paragraphs 12 to 31 of Appendix 4 and Annex 4.1.
xxi)	Note that a further £13.27M has been added to the General Fund programme, to an existing project which requires approval to spend in its entirety. This addition is detailed in paragraphs 16 of Appendix 4 and Annex 4.1.
xxii)	Note the removal of schemes from the capital programme totalling £13.22M as set out in paragraphs 12 to 31 of Appendix 4 and detailed in Annex 4.1.
xxiii)	Note the approval to spend £3.18M for the Outdoor Sports Centre, as set out in paragraph 10 and 16 of Appendix 4.
xxiv)	Note that the capital programme remains fully funded up to 2027/28 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.
Housing Revenue Account and Capital Programme	
xxv)	Note that formal consultation on proposals for rent, service charge and landlord controlled heating charges began on 9 November 2022 and ended on 10 January 2023, although comments submitted after this date will be considered where possible. The outcome of the consultation is outlined in paragraphs 54 to 60.
xxvi)	Note that, from 1 April 2023, an average rent increase will be applied to dwelling rents of 7.0% in line with the rent increase cap set by Government, as detailed in paragraph 10 of Appendix 5, equivalent to an average increase of £6.07 per week in the current average weekly dwelling rent figure of £86.72 for Social rent, and £9.89 per week in the current average weekly rent for affordable rent of £141.27. Rents for Shared Ownership rents will also increase by 7%.
xxvii)	Note that an increase in weekly service charges of 9.0% will be applied from 1 April 2023, as detailed in paragraphs 16 to 19 of Appendix 5.
xxviii)	Note and recommend to council the Housing Revenue Account revenue estimates as set out in Appendix 5.
xxix)	Notes the 40 year Business Plan for revenue and capital expenditure set out in Annexes 5.1 and 5.3 of Appendix 5 respectively, that based on current assumptions are sustainable, maintaining a minimum HRA balance of £2.0M in every financial year in line with current policy. However, the S151 Officer has noted a need to review this policy for future budgets and increasing that balance from £2M over time to provide more of a necessary buffer against financial risks.
xxx)	Note the increase in landlord controlled heating charges set out in paragraph 21 of Appendix 5 and Annex 5.2.
xxxi)	Note the revised Housing Revenue Account (HRA) Capital Programme, which totals £292.24M (as detailed in paragraph 35 & 42 of Appendix 5) and the associated use of resources.
xxxii)	Note the capital projections in the HRA Capital Programme for 2022/23 to 2027/28 as detailed in paragraph 35 of Appendix 5, and that spend between 2022/23 and 2026/27 has been maintained within the control totals previously agreed, and adjusted for known slippages at Quarter 3.

COUNCIL

Council is recommended to:

General Fund Revenue

	i)	Note the budget consultation process that was followed as detailed in paragraphs 54 to 60.
	ii)	Note that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals. Further details are contained within the Members' Room document 1.
	iii)	Note the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 61 to 64. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members' Room.
	iv)	Note the forecast outturn position for 2022/23 as set out in paragraphs 26 to 28 of Appendix 1.
	v)	Approve the revised Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2026/27 attached as Annex 1.1.
	vi)	Approve the 2023/24 General Fund Revenue Budget as detailed in Annexes 1.9 and Annexes 1.1(a) and 1.1(c) of the MTFS.
	vii)	Note the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes for 2023/24 an increase in the 'core' council tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	viii)	Approve additional General Fund pressures totalling £28.22M in 2023/24, falling to £26.52M in 2026/27, as detailed in paragraph 53 of Appendix 1.
	ix)	Approve savings proposals totalling £22.03M are included in the 2023/24 General Fund Revenue Budget, reducing to £19.27M in 2026/27, as detailed in paragraph 57 of Appendix 1.
	x)	Delegate authority to the Executive Director for Corporate Services and Section 151 Officer, following consultation with the Cabinet Member for Finance and Change, to do anything necessary to give effect to the proposals contained in this report.
	xi)	Set the Band D Council Tax for Southampton City Council at £1,726.47 for 2023/24, a Net Budget Requirement of £221.45M and the Council Tax Requirement for 2023/24 at £115.77M as per Annex 1.2.
	xii)	Notes and endorses the Statement of the S151 Officer as set out in paragraphs 20 to 45 on the robustness of the budget and the adequacy of the council's reserves. In particular the precarious financial position of the authority, the high level of financial risk currently faced and the lack of adequacy of reserves in the light of these risks and that work must continue at pace to lower reliance on reserves as remaining unallocated reserves (estimated at £10.3M) will be exhausted in 2024/25 at the latest, and potentially earlier in 2023/24 should all the risks identified in this report materialise.
	xiii)	Note that work will continue to review opportunities and proposals to address the 2024/25 and future years budget shortfall and to help mitigate the high level of financial risk within the budget.

	xiv)	Note the estimates of precepts on the council tax collection fund for 2023/24 as set out in Annex 1.3.
	xv)	Delegate authority to the Executive Director for Corporate Services and S151 Officer to implement any variation to the overall council tax arising from the final notification of the Hampshire and Isle of Wight Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
	xvi)	<p>Agree that the following amounts be now calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992; and</p> <p>determine in accordance with Section 52ZB of the Act that the Council's relevant basic amount of Council Tax for 2023/24 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC of the Act.</p> <p>a) £556,409,522 (being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act).</p> <p>b) £440,637,623 (being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act).</p> <p>c) £115,771,899 (being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year). (Item R in the formula in Section 31B(1) of the Act).</p> <p>d) £1,726.47 (being the amount at (c) above (Item R), all divided by the tax base of 67,057 (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year).</p>
	xvii)	Note CIPFA's code of practice on financial management set out in paragraphs 50 to 53 and that good financial management is assigned to all senior management levels in the Council as well as councillors.
Capital Strategy		
	xviii)	Approve the Council's Capital Strategy detailed in Appendix 2.
	xix)	Approve the Council's MRP Strategy detailed in Annex 2.1.
	xx)	Approve the Council's Investment Strategy detailed in Annex 2.2.
Flexible Use of Capital Receipts Strategy		
	xxi)	Approve the Council's Flexible Use of Capital Receipts Strategy detailed in Appendix 3.
General Fund Capital Programme		
	xxii)	Approve the revised General Fund Capital Programme, which totals £367.41M (as detailed in paragraphs 2 to 6 of Appendix 4) and the associated use of resources.
	xxiii)	Approve addition and spend of £10.45M which has been added to the General Fund programme. These additions are detailed in paragraphs 12 to 31 of Appendix 4 and Annex 4.1.
	xxiv)	Approve addition of £13.27M which has been added to the General Fund programme, to an existing project which requires part approval to spend, as per (xxiv). This addition is detailed in paragraphs 16 of Appendix 4 and Annex 4.1.
	xxv)	Approve the removal of schemes from the capital programme totalling £13.22M as set out in paragraphs 12 to 31 of Appendix 4 and detailed in Annex 4.1.

xxvi)	Approve the spend of £3.18M, £1.68M in 2022/23 and £1.50M in 2023/24 to progress delivery of the Masterplan of Improvements to Southampton's Outdoor Sports Centre, as detailed in paragraphs 10 and 16 of Appendix 4.
xxvii)	Note that the capital programme remains fully funded up to 2027/28 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.

Housing Revenue Account and Capital Programme

xxviii)	Note the consultation process that was followed for rents, service charges and landlord controlled heating charges as detailed in paragraphs 54 to 60.
xxix)	Approve that, from 1 April 2023, an average rent increase will be applied to dwelling rents of 7.0% in line with the rent increase cap set by Government, as detailed in paragraph 10 of Appendix 5, equivalent to an average increase of £6.07 per week in the current average weekly dwelling rent figure of £86.72 for Social rent, and £9.89 per week in the current average weekly rent for affordable rent of £141.27. Rents for Shared Ownership rents will also increase by 7%.
xxx)	Approve that an increase in weekly service charges of 9.0% be applied from 1 April 2023, as detailed in paragraphs 16 to 19 of Appendix 5.
xxxi)	Approve the Housing Revenue Account revenue estimates as set out in Appendix 5.
xxxii)	Approve the 40 year Business Plan for revenue and capital expenditure set out in Annexes 5.1 and 5.3 of Appendix 5 respectively, that based on current assumptions are sustainable, maintaining a minimum HRA balance of £2.0M in every financial year in line with current policy. However, the S151 Officer has noted a need to review this policy for future budgets and increasing that balance from £2M over time to provide more of a necessary buffer against financial risks.
xxxiii)	Approve the increase in landlord controlled heating charges as detailed in paragraph 21 of Appendix 5 and Annex 5.2.
xxxiv)	Approve the revised Housing Revenue Account (HRA) Capital Programme, which totals £292.24M (as detailed in paragraph 35 & 42 of Appendix 5) and the associated use of resources.
xxxv)	Approve the capital projections in the HRA Capital Programme for 2022/23 to 2027/28 as detailed in paragraph 35 of Appendix 5, and that spend between 2022/23 and 2026/27 has been maintained within the control totals previously agreed, and adjusted for known slippages at Quarter 3.

REASONS FOR REPORT RECOMMENDATIONS

1.	The Council is a large and complex organisation managing the delivery of a vast range of services either directly or through/with others. Its core purpose is to deliver its statutory functions, improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial opportunities and challenges and that they make informed decisions. The Council regularly revises its Medium Term Financial Strategy (MTFS) so that the financial position is clear for budget proposals to be drawn up for the forthcoming year, and to ensure financial planning follows the ambition as set out in the Council's Corporate Plan. The budget information presented is set out in a way that shows the resources allocated within the key themes of the Corporate Plan.
----	---

2.	The Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. Programme updates are reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme. Major capital projects are undertaken over a number of years so by setting a clear 5 year programme works can be undertaken in a timely manner to assist the Council in achieving its aims and priorities, over both the short and medium term.
3.	The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to Full Council. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to Full Council.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the Council budget setting meeting on 22 February 2023.
5.	Part of setting the General Fund Budget and Medium Term Financial Strategy requires a view to be taken on the revenue cost of capital to the Council and proposals have been considered in order to ensure the most appropriate use of capital resources in meeting the Council's priorities. The overall financial position is considered when formulating the budget and the financing of the capital programme. An updated General Fund Capital Programme is included as Appendix 4 to the report, and the latest position is included in the Medium Term Financial Forecast Model. The update of the capital programme is undertaken after consideration of value for money and alternative options. Every £1M needed to be borrowed to finance capital spend has an impact of around £0.08M in the revenue budget for capital financing. Every effort will be made to identify sources of funding as an alternative to borrowing for financing the programme. Prudential Indicators, including the forecast share of capital financing of the Council's net budget is reported in the Capital Strategy at Appendix 2 of this report.
6.	This report sets out the HRA revenue budget for 2023/24 and the 40-year HRA business plan covering the period 2023/24 to 2062/63. The increases to rents, service charges and heating charges are an integral part of the revenue estimates for 2023/24.

DETAIL (Including consultation carried out)

GENERAL FUND REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

7.	Details of the Revenue Budget for 2023/24 and the updated Medium Term Financial Strategy 2023/24 to 2026/27 are given in Appendix 1 and annexes thereto.
8.	A report providing an update on the budget position for 2023/24 was presented to Cabinet on 8 November 2022. Appendix 1 provides an update to that report, giving details of the Council's financial resources following the November 2022 Autumn Statement and 2023/24 provisional local government finance settlement and sets out the final proposals in respect of budgetary pressures and savings, following review and further work on the initial proposals and taking into account feedback received from the consultation and the latest financial monitoring position.
9.	The position reported in November 2022 showed a budget shortfall for 2023/24 of £28.90M. The updated position is a balanced budget for 2023/24 and forecast budget shortfalls of £21.22M (2024/25), £22.56M (2025/26) and £24.79M (2026/27) respectively. A summary of all of the changes with respect to 2023/24 since the shortfall position reported in November 2022 is provided in paragraph 70 of Appendix 1. £21.99M of reserves have been used in

	<p>balancing the 2023/24 revenue budget. This significant depletion of reserves has a severe impact on the Council's financial resilience and sustainability – see the S151 Officer's statement of robustness of estimates and adequacy of reserves starting at paragraph 20 for further details. The future budget shortfalls combined with a lack of reserves represent a major challenge requiring considerable continued focus and work by the Cabinet and the Executive Management Team.</p>
10.	<p>The forecast budget shortfall for 2023/24 set out in November was based on a 'core' council tax increase of 1.99% and no additional Adult Social Care precept, as assumed in the February 2022 MTFS. The Government's November 2022 Autumn Statement, and later confirmed in the local government finance settlement, announced increases of up to 3% in core council tax and 2% for the Adult Social Care precept could be applied without the need for a local referendum. The recommendations in this report are to apply the maximum increases available for both the core council tax and Adult Social Care precept for 2023/24, a combined increase of 4.99%, to help meet the service demand and other pressures the Council faces.</p> <p>It should be noted that the published figures of local government funding support make an assumption that all councils will use the maximum possible council tax rise, and by implication, the Government's settlement assumes 5% for councils such as Southampton. It is of note that Council Tax provides a regular and ongoing financial benefit, whilst reserves by their nature are a one off source of financing only, and excessive reliance on reserves indicates the budget has fundamental underlying issues of sustainability. Not applying an increase to council tax, as occurred for the 2022/23 budget when council tax was frozen, means a permanent loss of that opportunity for the revenue to the council, worth £1.1M per 1% increase.</p> <p>Under the local government finance policy statement, the same council tax flexibilities will apply for Southampton in 2024/25, but an increase of 1.99% for that and future years has been assumed within the MTFS.</p> <p>The final council tax bills will include precepts made by the Hampshire and Isle of Wight Fire and Rescue Authority and the Hampshire Police and Crime Commissioner, which impacts on the final charge. Hence, the final increase residents see on their bills may differ from the 4.99% charge from Southampton City Council.</p>
11.	<p>In the Local Government Finance Policy Statement issued a week before the settlement, the Government confirmed that no reforms to the local government finance system will be implemented during the remainder of this parliament. 2025/26 would therefore be the earliest that any changes would be made. For the purposes of financial planning, the MTFS assumes that the Council will be no better or worse off in funding terms from any changes to the local government finance system. Similarly, for the purposes of the MTFS the financial impact of the Adult Social Care Charging Reforms, announced in 2021 and now delayed until October 2025, are assumed to be neutral pending further information on costs and funding. Due to uncertainty over future funding as well as spending and inflationary pressures being far more volatile than ever before, the MTFS will be kept under regular review.</p>
12.	<p><u>GENERAL FUND CAPITAL PROGRAMME</u></p>
13.	<p>Details of the General Fund capital programme for 2022/23 to 2027/28 are given in Appendix 4 and annexes thereto.</p>
14.	<p>Appendix 4 highlights the proposed changes to the General Fund capital programme from the last reported monitoring position to Cabinet in February 2023. The net result of the changes is that the programme has increased by £11.17M. There has been a comprehensive capital review undertaken, considering the significant financial pressures being faced. National</p>

	economic factors are taking their toll on the delivery of the capital programme, such as rising inflation increasing the cost of construction and interest rate rises making it unsustainable to continue the same levels of borrowing to fund the programme. This has meant that a number of projects will be rephased/delayed and alternative funding sources to borrowing are being considered. The review has resulted in £13.22M being removed from the programme and this has been offset largely by the additional investment being made at the Outdoor Sports Centre due to a successful Levelling Up Fund £20M grant award.
15.	The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next 5 years with investment to deliver the aims within the agreed Corporate Plan. Given the pressure on resources available to fund the programme, priority has been given to reviewing existing budgets and delivery, which predominately is within the first 3 years of the programme. During 2023/24 further work will be undertaken to review years 4 and 5 to fully establish the needs of the Council and assess future funding. The capital programme will be kept under regular review, both in terms of future affordability and delivery.
	<u>CAPITAL STRATEGY</u>
16.	Appendix 2 details the updated capital strategy for approval. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
	<u>FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY</u>
17.	Appendix 3 details the flexible use of capital receipts strategy for approval. The Secretary of State issued a Direction in March 2016, giving local authorities greater flexibilities to use capital receipts to finance revenue expenditure, which has since been extended until 2024/25. This allows local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. To utilise the Direction, the Council must maintain a Flexible Use of Capital Receipts Strategy and include this as part of the annual budget setting report.
	<u>HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL PROGRAMME</u>
18.	The HRA records all the income and expenditure associated with the provision and management of Council owned homes in the city. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. Further information can be found in Appendix 5 on the HRA revenue budget 2023/24 and 40-year operating account. The recommendations in this report include increasing rents by 7.0% and service charges by 9.0% for 2023/24.
19.	Appendix 5 highlights the proposed changes to the HRA capital programme, noting that spend between 2022/23 and 2026/27 has been maintained within the control totals previously agreed.
	<u>STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
20.	The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under Section 25 of the 2003 Local Government Act. This statement is longer than normal, because of the considerable financial risks the authority now faces.
21.	This statement concentrates on the General Fund budget, the Housing Revenue Account and the Capital Programme, but in addition it also considers key medium-term issues faced by the

	Council. The scale of the financial challenge the council now faces should not be underestimated.
22.	The Council finds itself in a precarious financial position at a time when many risks are faced which will potentially weaken its finances further still. The Council is spending unsustainably, applying reserves (of £20.6M) as a one off short-term measure. Projections for our unallocated Medium Term Financial Risk (MTFR) Reserve show that this will expire in 2024/25, and potentially sooner if savings plans are not achieved and/or overspending continues. There is a major risk of the Council's finances being critically impacted to the point that a balanced budget will be challenging to achieve.
23.	While the authority has seen very large shortfalls of £20M or more before to address in its annual budget setting process during the period of Government austerity measures, the context was quite different with low inflation, low interest rates and a growing economy both locally, nationally and globally. In the current context of high inflation, increasing interest rates, increasing service demands driven by the cost of living, and an economy widely accepted to be entering a recession, managing a large budget shortfall presents a serious and unprecedented challenge which, together with substantial in-year pressures reported elsewhere on this agenda, will mean what is almost certain to be the most severe test of the authority's financial resilience and sustainability.
24.	<p>The importance of good financial management and the need for prudent and realistic levels of reserves and contingencies has been brought sharply into focus by extensive budget pressures experienced during 2022/23 as a consequence of a variety of national issues, including (but not limited to):</p> <ul style="list-style-type: none"> • Unusually high levels of inflation and the cost of living crisis impact • Very sharp increases in the costs of energy for the Council • Higher than expected nationally set pay awards • Sharply rising interest rates, after a prolonged period of very low interest rates • Continuing high demand for Council services, especially in the field of social care for both Adults and Children, but also other key areas such as Home-to-School Transport. • Inflation has also impacted on contractual costs and continues to influence the costs arising from the capital programme • On-going effects of Covid-19, in terms of the demands for local services and on the Council's income streams
25.	The context for setting the 2023/24 budget is therefore the pressures being faced in the current year, and it is important to highlight that as at Quarter 3 of 2022/23, the forecast is for an overspend of £10.3M for the year, after taking into account £4.7M of in-year savings. The key areas of overspending fall within Children & Learning and Health, Adults and Leisure, with a total forecast of £15.6M for 2022/23.
26.	Any further increase in the overspend for 2022/23 must be mitigated, as this would threaten the already precarious financial position faced. As part of that mitigation, the Council has operated within an Essential Spend only regime since August 2022, in recognition of the overspend forecast on its budget and the risk of following other authorities such as Slough and Northamptonshire into a situation where a S114 notice was necessary. When formulating the budget, I have recommended the Administration, when facing any new decision, to limit spending as much as possible to the criteria for Essential Spend, and to consider any options which have been tabled that could go beyond the savings identified in this report, to help lower the reliance on reserves and help protect against a risk of a S114 notice being needed in 2023/24, whereby the S151 Officer states spending exceeds the resources for funding it and limiting expenditure to statutory items only.

27.	In relation to the 2023/24 General Fund Revenue budget, it relies on £22.0M of savings, income and efficiency targets in order to be a balanced budget. That represents an ambitious total for the Council's net budget of £221.5M and any non-delivery is an obvious risk. The risk is also heightened significantly by a much reduced level of available reserves and contingency budget.
28.	A review and revision of budget savings for 2022/23 has been undertaken to ensure implementation plans for activities where savings can be achieved albeit later than originally anticipated and in addition work is in progress to provide re-assurance on savings plans for 2023/24. This is needed as in the current financial year only 39% of the 2022/23 agreed budget savings are expected to be achieved. Therefore, a major step change in the way the Council oversees and ensures delivery of proposed savings in 2023/24 is required given their size and timing and the budget's critical reliance on them. Non-delivery of savings in 2023/24 is a major risk and the savings expected are of such a scale that this could easily undermine the financial position of the authority, potentially leading to drastic action being needed.
29.	<p>In addition to the ongoing impact from the pressures being experienced in 2022/23 listed above, and the risks around excessive reliance on reserves to balance the budget and what may happen if planned for savings aren't achieved, the budget must also consider the following risks:</p> <ul style="list-style-type: none"> • There continues to be a possibility that income derived from both council tax and business rates will be adversely affected as the UK economy may be entering into a period of recession and adjusts to both Brexit and any longer-term effects of the pandemic. All aspects will be kept under review. • The continued effect of the cost of living crisis on households' finances may have an impact on council tax and housing rent collection rates. • The local government finance settlement from Government was for one year only. Uncertainty with Government funding remains an issue for 2024/25 onwards. • Changes to the way Government distributes the national 'funding pot' via the long delayed Fair Funding Review means there is a risk funding may be reallocated away from Southampton in future, as well as a potential benefit should the Council gain from any changes. As per the Government's policy statement, funding reforms or changes in funding distribution will not be implemented until 2025/26 at the earliest. • There is also a potential risk of a loss of the business rate growth to the authority from any reforms or updates to the Business Rate Retention Scheme that currently provides the Council with a 49% share of local business rates. Any update of the scheme is likely to mean a 'reset' of baselines used to calculate the growth retained locally for business rates, with the amount of growth therefore at risk depending on the detail of any Government proposals. The local growth in business rates is worth £5.6M to the Council's budget in 2023/24. • Business rates are also inherently unpredictable, meaning the Council must budget prudently allowing for uncertainty and volatility with funding in future as this funding stream is linked to local economic strength and is not reflective of the demands faced by the Council for service provision. • Pay inflation remains a significant risk, with the national pay settlement for local council staff for 2022 adding around 5.7% to our pay bill (all staff were given a £1,925 flat rate increase), and the continuing high level of inflation adding to pressure for another big increase in 2023. The proposed budget for 2023/24 makes provision of around 4% (or £4.9M) for a pay increase. Any sum beyond that will have to rely on what is available from the central contingency of £5.2M (which includes £2M to cover potential

redundancy costs). A repeat of the 5.7% increase seen in 2022 is not affordable to the Council without additional budget reductions.

- The adequacy of budget provision made for non-pay inflationary costs. The authority has a policy of only increasing non-pay budgets where they relate to external contracts, but even allowing for that 2023/24 has seen an increase of £10.6M for contract related budgets.
- Any further increase in the costs of energy. The council is facing increases of £3.0M on its non-school General Fund gas and electricity costs for 2023/24.
- The potential for further increases in interest rates which would impact on borrowing costs.
- There are significant cost pressures arising from changing demographics and a growing, ageing population. These lead to increased demand for adult and children services, as well as other services across the Council.
- Without further mitigations to represent an ageing population and more complex needs, Adult Social Care may not have adequate budget provision for increased demand that is likely to occur across future years as a consequence of these demographic developments. Mitigating increased Social Care demand due to an ageing population and post Covid pressure on the NHS and hospital discharges requires an enhanced focus on promotion of independence strategies such as homecare rather than residential and nursing care, reablement, telecare and voluntary/family support so as to avoid increased cost of care packages to the Council as well as ensuring that Continuing Health Care processes are robust to ensure that the split of costs between Health and Social Care is equitable. An Adult Social Care transformation strategy is currently being formulated to address these issues, but faces considerable challenges as it does across the Country.
- Of particular concern going forward is demand within Children's Social Care, given the experience during 2022/23 of the numbers of Children Looked After, demand pressures and the costs of residential care and agency staffing to cope with demands faced. Assumptions have been made regarding reductions in the numbers of Children Looked After and agency staff needed going forward, and achieving these assumptions will be very important to delivering spend in line with the budget next year. Most previously planned budget reductions have now been removed from the budget.
- The implementation of the Government's adult social care charging reforms announced in September 2021 has been delayed. The reforms are now expected to be implemented in October 2025. The additional costs of implementing these social care reforms are uncertain although modelling suggests significant additional costs locally beyond the original funding announcement by Government.
- The process that has developed out of discharging patients from hospital under COVID-19 may also mean the risk of additional costs to the Council. Patients have been discharged as soon as possible from hospitals, which has tended to mean additional costs for residential and homecare incurred by the Council. Whilst the NHS has provided funding support to assist during the pandemic, the costs for 2023/24 and the longer term consequence may fall on the Council.

30.	<p>When confronted by financial risk, the S151 Officer must evaluate the available resources at the Council's disposal to mitigate risks. To this end, the resources available for 2023/24 under the proposed budget are:</p> <ul style="list-style-type: none"> • A forecast available balance within the General Fund as at the end of 2023/24 of £10.1M • A forecast uncommitted balance in the Medium Term Financial Risk (MTFR) Reserve as at the end of 2023/24 of £10.3M • A contingency budget of £5.2M for 2023/24 (which includes £2M cover for potential redundancy costs).
31.	<p>Government did encourage local authorities to apply reserves to help address their budget pressures, when it made a policy announcement shortly before Christmas. However that does need to be balanced against the risks and uncertainty the council faces and as S151 Officer I must take a view on the adequacy of reserves taking those factors into account too.</p> <p>The heavy reliance on the MTFR reserve to balance the 2023/24 budget is a major concern. Reserves should be applied more sparingly than such a large amount, and the extensive use of this reserve to balance the budget is a significant 'red flag' highlighting the authority has an unsustainable budget. This inherent risk must be acknowledged in using one-off resources to support the proposed budget for 2023/24. Nor is this a new trend. £18.2M of one-off resources were planned for use to support the 2022/23 budget (other than for cash flow purposes). Based on the current in-year forecast, a further call of £10.3M is likely to be needed to meet the estimated overspend, taking the total use of reserves in 2022/23 to £30.4M.</p>
32.	<p>The forecast use of earmarked reserves is set out in Appendix 1 and the forecast balances for earmarked reserve over the period of the MTFS are shown in Annex 1.1.</p>
33.	<p>Reserves can only be used once and their use does not address the underlying unsustainability of the Council's budget. Note should be taken that over the last 5 years the council will have materially reduced its earmarked reserves, reducing from £86M in 2018/19 to a projected £21M at the end of 2023/24, a very sizeable and rapid decline, indicative of an authority with major and unresolved budgetary problems. This usage has seriously reduced the Council's financial resilience at a time of heightened risks and is a major factor in the council's much reduced financial strength when facing the risks outlined. I must stress the need for progress to continue with measures to balance the budget in 2023/24 without such a heavy drawdown from reserves. Work must continue at pace to identify further proposals to realise the most benefit in year and to hence reduce reliance on reserves, the less financial risk the council will then face and resilience will be improved.</p>
34.	<p>As S151 Officer I consider the estimates for 2023/24 to be robust subject to the risks set out above. However, given the scale of the challenge I need to ask services to consider and plan for mitigation actions to offset pressures, if in-year, it is evident that savings are not being achieved of the scale the budget assumes and to the time.</p> <p>I would assess the level of reserves as inadequate to cover the risks outlined and potential demands and this will need addressing going forward.</p>
35.	<p>As well as recommending ongoing action to implement additional savings to offset the considerable use of the MTFR reserve, the council strategy must be to replenish reserves. There is more detail on this on the Medium Term Financial Strategy (MTFS) document attached at Annex 1.1 to this report.</p>
36.	<p>The contingency sum of £3.2M set aside in the proposed 2023/24 budget (when excluding £2M cover specifically for potential redundancy costs) is reduced compared with</p>

	<p>the sum allocated to contingency in previous years (for example £4.6M in 2022/23). Ideally, in the light of the risks faced, contingency should be set at a similar sum to 2022/23, and with justification for an even higher sum, but given budgetary pressures this has not been possible. Reducing the contingency increases risk and to help compensate, it is more important than ever that spending remains within budget allocations for 2023/24 and every effort should be made to ensure that. The 2023/24 budgets have been discussed with the Executive Management Team for transparency and to confirm they accord with service plans for 2023/24.</p>
37.	<p>The estimated budget gap for 2024/25 is £21.2M, which reinforces the need for continued work to address the major budget challenge the Council faces. Members will need to give serious consideration as to whether increasing council tax by the maximum sums permissible without the need for a local referendum, would best protect the financial sustainability of the council. Currently, only the 'core' increase of 1.99% is assumed in the MTFs from 2024/25, but additional flexibilities were given for council tax by Government in the local government finance policy statement, allowing for up to 3% core rise and a further 2% for the Adults Social care precept.</p> <p>The Council needs to consider its 'Essential Spend' criteria, whereby spend is limited to service failure, legal requirement and contractual commitments, and potentially reinforce and widening these during 2023/24 to respond to the financial challenges. At the same time, work must continue to grow our local economy, council tax and business rates base to support local people and businesses.</p>
38.	<p>The authority is in a very uncertain position financially, and one where its financial resilience is severely weakened to the point where, in my opinion, a S114 notice is a major risk during 2023/24. The MTFs is not currently sustainable and further action is urgently required to develop additional savings plans to reduce spending in 2023/24 and beyond. The agreement of this proposed budget therefore will not mark an 'end' to the budget work for 2023/24, as work will need to continue during the course of the financial year to further reduce spend and mitigate the risks the Council faces. Progress is underway with service transformation efforts, in particular work in Children's services, Adults services (including the Integrated Commissioning Unit) and a programme looking at organisational wide change. In order to maximise the potential from economic growth, and the subsequent benefits of Council Tax and Business Rates, the 'Renaissance Board' has been established. This, and more efforts on balancing the budget without recourse to one off funding sources, is essential if the Council is to have a stable financial footing into the future.</p>
39.	<p>Very stringent, careful and diligent management of the Council's financial resources will be necessary to ensure the Council is not required to undertake the severe forms of actions on the General Fund, such as S114 notices and reliance on extra-ordinary measures of help from Government that an increasing number of councils are having to resort to in order to balance their budgets.</p>
	<p><u>DSG and schools</u></p>
40.	<p>The deficit the authority has within the ring-fenced Dedicated Schools Grant (DSG) must also be highlighted as a further risk. This currently stands at an estimated £10.2M by the end of 2022/23. This deficit would normally need to be offset against other revenue reserves, effectively further reducing our General Fund reserves (in practice a further call on the MTFR reserve – currently uncommitted balance forecast at £10.2M at the end of 2023/24). However, Government has extended a statutory override of the normal accounting practice, which means from 2023/24 until 2025/26 a deficit will not be counted against the Council's General</p>

	Fund reserves. The Council cannot rely on any further extensions of this override and firm plans must be implemented and monitored to eliminate this deficit by, or before, 31 March 2026.
41.	Outside of the DSG deficit, individual schools can also incur a deficit. The total of these deficits amounted to £4.6M according to our latest 2022/23 forecast. Any deficit outstanding at a point a school is required to become an academy falls on the Council, as opposed to remaining with the school. It is therefore important, to reduce risk, that schools have plans to eliminate their deficits. This year, 3 notices of concern have been issued to schools on their budgets, and 4 other schools do not have a deficit recovery plan agreed with the S151 Officer. Financial advisory support is available to all schools with resolving their deficit, but as S151 Officer I must also act to protect the Council and council tax payers from further losses and for schools who continue to either not have a deficit recovery plan or do not abide by a plan, further action must be considered.
	<u>HRA</u>
42.	Turning to the Housing Revenue Account (HRA), this will also face major challenges to its financial standing, both in 2023/24 and in the longer term. The HRA can only be funded via the rents and other housing related charges it generates, being a ring-fenced account. The same economic pressures faced on the General Fund, coupled with the decision made in February 2022 to freeze rents and service charges for 2022/23 (when most authorities implemented a 4.1% rise), has presented major financial challenges to the HRA. The one year freeze in rents has meant that over 40 years, an estimated £157M of income has been foregone. The HRA must not only present a balanced budget for 2023/24, but it must also demonstrate that spending plans are affordable over a 40 year horizon to manage its resources and maintain the housing stock in good condition for tenants (and meet legislative obligations in respect of landlord responsibilities written into current and forthcoming legislation).
43.	The majority of expenditure pressures being experienced in 2022/23 within the HRA are ongoing in future years, specifically in relation to wage inflation, significant increases in the cost of building materials used for repairs, and significant increases in energy costs for communal lighting, supported housing and Landlord Controlled Heating. Interest rate rises will also have a significant, longer-term impact on the 40 year business plan.
44.	Despite the proposed 7% increase in rents for 2023/24, financial challenges continue for the HRA. Where pressures have been quantified these are built into the model, however a number of risks are not fully quantified and the extent of these pressures will determine future savings plans within the HRA, which will need to be fully worked up and concluded. I have also recommended the Council's policy surrounding the HRA balance be reviewed, with a view to increasing from £2M over time to provide more of a necessary buffer against the risks it faces and the 40 year business plan takes this into account. The financial pressures will also mean the HRA capital programme will need to be under extra scrutiny over what is affordable and how quickly any new investment can be made.
45.	To conclude; On the General Fund: The council is reliant on a total drawdown of £20.6M from reserves to balance the 2023/24 budget, leaving only a forecast £10.3M unallocated balance in the MTFR reserve. Given the significant risks, particularly of further demand and cost of living pressures, added to the risks of non delivery of savings, in my view this is inadequate. Use of reserves to such an extent also compromises the capacity for 'invest to save' and to achieve savings through transformation work. Financial resilience is much weakened by depleting the MTFR reserve, and a S114 notice is foreseeable and a major risk during 2023/24. I would stress the

	<p>need for the authority to take all possible action to reduce the financial risks it faces by continuing with the 'essential spend only' principles, avoiding new commitments where possible and continuing to make savings plans and also plans to reduce budget pressures in-year. An obvious risk is in delivery of the £22M of savings included in the budget, and a rigorous approach to realising these savings, or achieving alternative savings of equal value, will be essential to minimising risks of significant overspending with little spare remaining in reserves to cover it.</p> <p>On DSG and Schools: The current forecast deficit with the DSG stands at £10.2M and this will fall on the authority to cover from 1 April 2026 unless the deficit is resolved by then. Plans must therefore be drawn up, with clear monitoring, to ensure a realistic timetable exists for repaying this sum. With regard to schools themselves, the cumulative deficit is £4.6M from 14 schools (3 with no agreed school deficit recovery plan), and this represents an upwards trend from the 2021/22 position of £3.6M deficit. Should schools with a deficit be forced to become an Academy this deficit is transferred to the council. Further action is therefore needed to turn around this trend of increasing deficits and all schools must have an agreed financial recovery plan.</p> <p>On HRA: The 7% rent rise, coupled with additional income for service charges, improves the financial position of the HRA following a rent freeze in 2022/23. HRA income matches expenditure for 2023/24, but the HRA must also plan long term, due to the long term nature of the investment required for good, well maintained housing stock. Over that longer term, there remains a number of uncertain liabilities that are hard to quantify and that, coupled with rising costs and interest rates, is likely to prove a significant challenge in future years. Meeting this challenge will mean making further savings and is likely to mean difficult choices on investment with capital resources, in order to maintain financial stability in the long term. In addition, because of the uncertainty and risks, a review is needed of the £2M working balance held in the HRA, and an assessment of how quickly an increase in this sum could be accommodated.</p> <p>A key challenge is to balance long term objectives and short term need. Recent and ongoing investment in prevention and early intervention, largely in Social Care, will deliver better outcomes and ultimately more efficient service delivery. The corporate goal of Strong Foundations for Life will depend on achieving longer term change. Initiatives such as the Renaissance Board, the Affordable Homes Framework, the skills plans to attract new investment in future growth areas and focus on the Southampton Pound, can help drive growth in our goal to be 'A Prosperous City'. The delivery of the transformation plans described in paragraph 38 will need continued vigilance, focus and support.</p>
	<p><u>Financial Resilience (including the CIPFA Resilience Index)</u></p>
46.	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes a financial resilience index, designed to support the local government sector as it faces continued financial challenge. It has a series of 9 primary indicators that compare local authorities with each other across issues such as level of and movement in reserves, level of gross debt and proportion of budget spent in areas experiencing the most demand pressure (adults and children's social care) and therefore most likely to be at risk of overspending. It applies current and past data rather than future estimates.</p>
47.	<p>The latest data used in the financial resilience index published in December 2022 is for 2021/22. The index indicates the Council has moved to the higher end of the financial risk spectrum for its level and use of reserves. However, 2021/22 and 2020/21 reserves figures have been impacted by COVID-19, for example by the carry-forward of COVID related</p>

	<p>government grants, so the indicators may not be fully representative of the underlying position. It should also be noted that the City Council comes out at high risk on the relative proportion spent on social care compared to similar authorities and this is seen as a significant threat to our financial sustainability (as it is largely demand driven and where a higher than average proportion of the budget adds to the financial risks).</p>												
48.	<p>Table 1 below shows that, even assuming no further drawdown of the MTFR reserve is necessary, either for the 2022/23 overspend or for in-year budget pressures and risks in 2023/24, the reserve expires completely in 2024/25. Given budget risks, as outlined in paragraphs 20 to 45 above, there is every chance reserves will be called upon before 2024/25 and hence they could be fully utilised ahead of this point. This would mean no cover from reserves for large and uncertain financial risks, a critical financial position to reach. To avoid that, and a risk of Government intervention being necessary, additional savings will be necessary.</p> <p>Table 1: Uncommitted MTFR reserve projection</p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> <th>2024/25 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Shortfall before use of reserves</td> <td>20.62</td> <td>21.22</td> </tr> <tr> <td>Less: use of uncommitted reserves*</td> <td>(20.62)</td> <td>(10.31)</td> </tr> <tr> <td>Remaining Budget Shortfall</td> <td>0.00</td> <td>10.91</td> </tr> </tbody> </table> <p>*Excluding £10.1M in General Balances for unforeseen events</p>		2023/24 £M	2024/25 £M	Budget Shortfall before use of reserves	20.62	21.22	Less: use of uncommitted reserves*	(20.62)	(10.31)	Remaining Budget Shortfall	0.00	10.91
	2023/24 £M	2024/25 £M											
Budget Shortfall before use of reserves	20.62	21.22											
Less: use of uncommitted reserves*	(20.62)	(10.31)											
Remaining Budget Shortfall	0.00	10.91											
49.	<p>Our external auditors (Ernst & Young LLP) have a statutory responsibility to review the financial standing of the authority, and the financial risks it faces. The extensive reliance on reserves to balance the budget for 2023/24, coupled with the fact this creates a 'cliff edge' for 2024/25 when reserves will run out, is likely to receive formal comment from them.</p>												
	<p><u>CIPFA Financial Management Code</u></p>												
50.	<p>The CIPFA Financial Management Code (FM Code) sets out the standards of what good financial management for local authorities should look like. The FM Code was introduced because of the exceptional financial pressures faced by local authorities in recent years which have revealed concerns about fundamental weaknesses in financial management and the ability of some organisations to maintain services in the future. These pressures have been heightened recently with national economic factors contributing. Some notable high profile cases such as Northamptonshire and Croydon councils have added to the need to ensure consistent standards apply.</p>												
51.	<p>CIPFA considers application of the FM Code to be the collective responsibility of each authority's organisational leadership team. For the purposes of the code the 'leadership team' is defined as the collective group of elected members and senior officers. Therefore, it will include full Council.</p>												
52.	<p>It is important to note, also, that the financial management standards are <u>minimum standards</u>. The underlying principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.</p>												

53. The 6 Principles of Good Financial Management set out in the FM Code are:
1. Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 2. Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 3. Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 4. Adherence to professional standards is promoted by the leadership team and is evidenced.
 5. Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 6. The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

More detail is given in Annex 1.1 f) to the Medium Term Financial Strategy. A self assessment on compliance against the principles of the Code was reported to the Governance Committee on 14 February 2022, where it was highlighted that updates would be given through the Annual Governance Statement. One key action identified was around developing plans to address future budget shortfalls, to ensure plans were longer term than one year ahead for balancing the budget and helping with financial stability for services. This remains a challenge for several reasons. The lack of certainty with funding does not help, with only a one year settlement from Government provided for 2023/24. More fundamentally, with the scale of the cost of living crisis, energy and fuel cost rises, higher than expected pay awards, sharp rise in interest rates all adding to future budget pressures and combining to make setting a sustainable budget and reducing future budget shortfalls (as identified via the MTFs) more challenging than ever. With a total new net drawdown on the MTFR reserve of £22.4M in the 2023/24 budget and significant future budget shortfalls starting at £21.2M in 2024/25, the authority has much more to do to promote financially sustainable public services.

	<u>BUDGET CONSULTATION</u>
54.	<p>The Cabinet's initial budget proposals for 2023/24 were set out in the update on budget forecast for 2023/24 and savings plans report of 8 November 2022. A public engagement exercise was undertaken with residents and stakeholders on specific proposals between 9 November 2022 and 10 January 2023.</p> <p>This year the proposals in the questionnaire were arranged over 3 sections:</p> <ul style="list-style-type: none"> • Removal of the one-month council tax exemption for empty and unfurnished properties • Energy cost efficiency through the reduction of street lighting and switching to LED lighting • Increase in service charges, rent, and landlord controlled heating costs in council owned homes <p>The aim of this engagement exercise was to:</p> <ul style="list-style-type: none"> • Communicate clearly to residents and stakeholders the initial budget proposals for 2023/24 • Ensure any resident, business or stakeholder who wished to comment on the proposals had the opportunity to do so, enabling them to raise any impacts the proposals may have • Allow participants to propose alternative suggestions for consideration which they feel could achieve the objectives in a different way
55.	<p>Any that could impact the way that residents or customers review or experience a service of the council were subject to an Equality and Safety Impact Assessment (ESIA). A Cumulative Impact Assessment was also developed in order to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on community safety, poverty and health and wellbeing. These impact assessments were published alongside the public engagement exercise.</p>
	<u>Summary of Consultation Feedback</u>
56.	<p>The Budget Consultation had 673 responses which compares favourably with response levels in recent years.</p>
57.	<p>82% of respondents agreed with the proposal to remove the one-month Council Tax exemption for empty and unfurnished properties, with 10% disagreeing. 67% of respondents agreed with the proposals relating to streetlighting, with 27% against.</p>
58.	<p>Overall agreement with the three housing-related proposals ranged from 56% to 69%, with between 17% and 23% against. However, between 52% of tenants and 44% of respondents with landlord controlled heating disagreed with the proposal to increase service charges, with 52% of tenants and 67% of those with landlord controlled heating disagreeing with the proposals to increase the landlord heating control charge. For housing tenants and respondents with landlord controlled heating, agreement with the proposal to increase rents in line with the Government cap was 50% and 59% respectively, with 68% and 59% (respectively) stating this may have a negative impact on them.</p>
59.	<p>Throughout the consultation questionnaire, respondents were given the opportunity to expand on comments, impacts, suggestions and alternatives - these will be taken into consideration and actions taken as appropriate.</p>
60.	<p>A full analysis of the public engagement exercise feedback is included in Members' Room documents.</p>

<u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u>	
61.	The Equality Duty is a duty on public bodies which came into force on 5 April 2011. The Council will have due regard to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
62.	While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, Council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.
63.	Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIAs are available in Members' Room documents.
64.	The individual ESIAs have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile, service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The cumulative ESIA is available to view in the Members' Room documents.
<u>RESOURCE IMPLICATIONS</u>	
<u>Capital/Revenue</u>	
65.	The capital and revenue implications are fully detailed within the report.
<u>Property/Other</u>	
66.	There are no specific property implications arising from this report other than the schemes already referred to within Appendix 4 and Appendix 5 of the report.
<u>Staffing Implications</u>	
67.	A significant proportion of the Council's expenditure is on employee costs. Given the level of savings to be achieved it is inevitable that the draft proposals will have some impact on staff costs and staff numbers. Early indications are that the proposals set out in this report may result in a reduction of around 52 full time equivalent (FTE) posts, of which 42 FTE posts are currently vacant. This will be done primarily via service restructures where appropriate and fully involve trade unions as appropriate.
<u>LEGAL IMPLICATIONS</u>	
68.	It is important that Members are fully aware of the full legal implications of the entire budget and council tax making process when they consider any aspect of setting the council's Budget. Formal and full advice to all Members of the council protects Members, both in their official and personal capacity, as well as the council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

69.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
70.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the council. Political documents do not represent a legal commitment on behalf of the council. To treat any political document as a legal commitment by the council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
71.	The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2023 could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
72.	There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
73.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
74.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 Officer) to formally report to council at the time the budget is considered and the council tax is set, on the robustness of the budget estimates and the adequacy of financial reserves. This statement by the S151 officer is included alongside the budget and council tax setting report to both Cabinet and full Council in February.
75.	Of particular importance to the council tax setting process and budget meeting of the full Council is the council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the budget of the city council is determined, and the council tax is set. In addition, Members need to be aware that these rules provide a route whereby the Leader may require the full council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
76.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 6, which Members are directed to have regard to in reaching their decision.
77.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal. The proposals within this report relating to Housing Service Charges are subject to additional legal considerations set out below.

78.	<p>In relation to the Housing Revenue Account Service Charges, the Council can make a charge for services it provides to council tenants in addition to a charge for rent pursuant to the Housing Act 1985 and also in compliance with paragraph 2 of the Council's standard tenancy agreement. The Council is permitted to introduce new charges and vary existing charges so long as it follows the procedure set out in the Housing Act 1985 and complies with the Rent Standard and Guidance produced by Homes England. In particular any service charges must be reasonable and transparent and are limited to covering the actual cost for providing the services.</p>
<p><u>Other Legal Implications</u></p>	
79.	<p>The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the council's Constitution. As part of the review process by the Executive Management Team, the proposals contained in this report have been checked from a legal viewpoint.</p>
80.	<p>Local authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 the right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life.</p> <p>In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty.</p> <p>The duty provides that:</p> <p>(1) A public authority must, in the exercise of its functions, have due regard to the need to—</p> <p>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</p> <p>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;</p> <p>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</p> <p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</p> <p>(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;</p> <p>(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.</p> <p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) tackle prejudice, and</p> <p>(b) promote understanding.</p> <p>The relevant protected characteristics are—</p> <ul style="list-style-type: none"> • age;

	<ul style="list-style-type: none"> • disability; • gender reassignment; • pregnancy and maternity; • race; • religion or belief; • sex; • sexual orientation. <p>Details of how the Council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISAs which Members must have regard to in reaching their decision.</p>
--	--

RISK MANAGEMENT IMPLICATIONS

81.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis and forms part of the Financial Monitoring Report included elsewhere on this agenda.
82.	Details of the risk assessment of the budget are given with the Chief Financial Officer's statement on the robustness of the budget estimates at paragraphs 20 to 45.

POLICY FRAMEWORK IMPLICATIONS

83.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a budget and council tax for 2023/24 must be proposed by the Cabinet for consideration by the full Council under the Constitution. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.
-----	---

KEY DECISION?	No
----------------------	----

WARDS/COMMUNITIES AFFECTED:	All
------------------------------------	-----

SUPPORTING DOCUMENTATION

Main Appendices (see also below for full table of contents including annexes to Appendices)

1.	The Revenue Budget 2023/24 and MTFS 2023/24 to 2026/27
2.	The Capital Strategy
3.	The Flexible Use of Capital Receipts Strategy
4.	The General Fund Capital Programme 2022/23 to 2027/28
5.	HRA Revenue Budget 2023/24 and Capital Programme 2022/23 to 2027/28
6.	Statutory Power to Undertake Proposals in the Report
7.	HRA Capital Programme Scheme Details (Confidential)

Documents In Members' Rooms

1.	Analysis of the budget consultation feedback
2.	Cumulative Impact Assessment
3.	Updated Equality and Safety Impact Assessments (ESIAs)

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	Update on budget forecast for 2023/24 onwards and savings plans	
2.		

Budget Report - Table of Contents

Budget Report – The Revenue Budget 2023/24, Medium Term Financial Strategy and Capital Programme

Appendix 1 – the Revenue Budget 2023/24 and MTFS 2023/24 to 2026/27

Annex 1.1 – MTFS 2023/24 to 2026/27

Annex 1.1(a) to MTFS – General Fund Medium Term Financial Forecast

Annex 1.1(b) to MTFS – Previously Agreed Budget Changes

Annex 1.1(c) to MTFS – Medium Term Financial Forecast by Service Activity

Annex 1.1(d) to MTFS – General Fund Earmarked Revenue Reserves

Annex 1.1(e) to MTFS – HRA Medium Term Financial Forecast

Annex 1.1(f) to MTFS – FM Code principles

Annex 1.2 – 2023/24 Council Tax Calculation

Annex 1.3 – 2023/24 Council Tax Collection Fund Estimates

Annex 1.4 – Government Grants

Annex 1.5 – New Budget Pressures

Annex 1.6 – New Savings Proposals

Annex 1.7 – Part-Night Street Lighting

Annex 1.8 - Movement in Budget Shortfall since November 2022

Annex 1.9 – 2023/24 Net Revenue Expenditure Budget Adjustments by Service Activity

Appendix 2 – The Capital Strategy

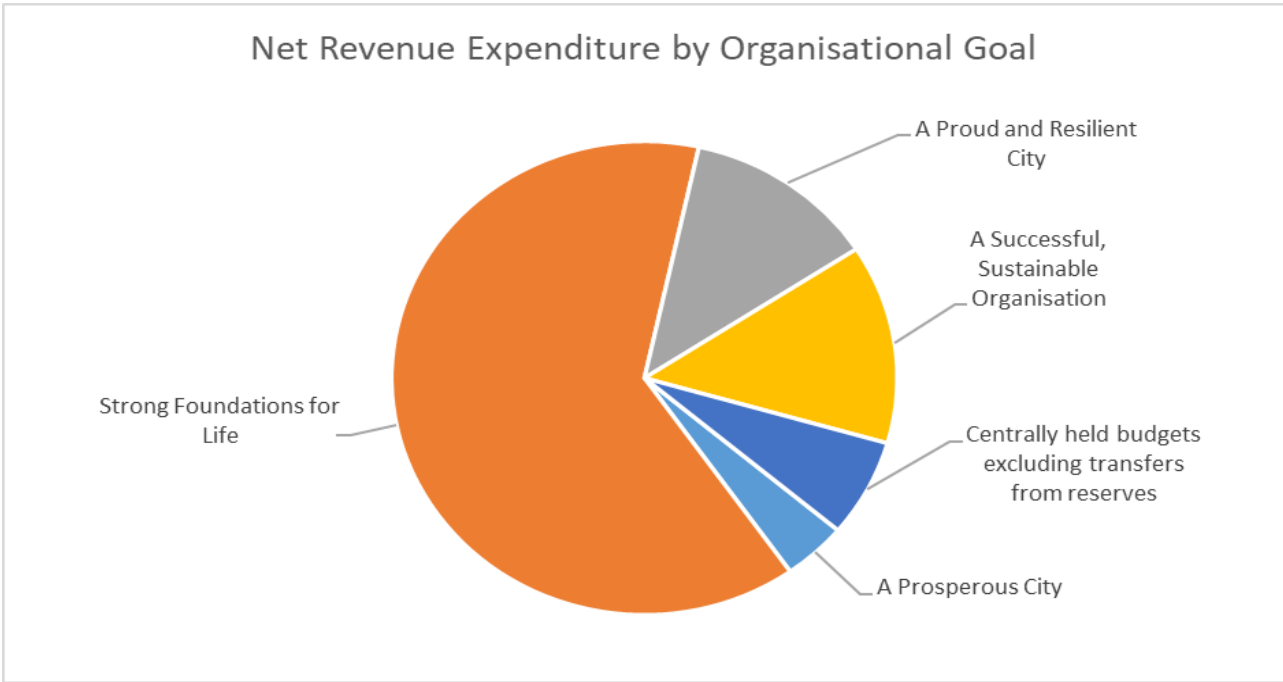
Annex 2.1 – MRP Strategy 2023/24

Annex 2.2 – Investment Strategy 2023/24

Appendix 3 – The Flexible Use of Capital Receipts Strategy
Appendix 4 – The General Fund Capital Programme 2022/23 to 2027/28
Annex 4.1 – GF Capital Budget Variations Since Q3
Annex 4.2 – General Fund Scheme Details
Appendix 5 – HRA Budget 2023/24 and Capital Programme 2022/23 to 2027/28
Annex 5.1 – HRA 40 Year Business Plan – Operating Account
Annex 5.2 – HRA heating charges
Annex 5.3 – HRA 40 Year Business Plan – Major Repairs and Improvement Plan
Appendix 6 – Statutory Power to Undertake Proposals in the Report
Appendix 7 – HRA Capital Scheme Details – Confidential
Members’ Room Documents – Budget Consultation Feedback, Individual ESAs and Cumulative Impact Assessment

THE REVENUE BUDGET 2023/24 AND MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27	
<u>INTRODUCTION</u>	
1.	This report sets out the budget for 2023/24 and how it will be balanced through a combination of savings, additional funding and significant use of reserves. The proposed net revenue budget for 2023/24 is £221.5M, compared with a current year budget of £193.2M. The report also provides an update on the Medium Term Financial Strategy (MTFS) for the period to 2026/27.
2.	The budget is based on a council tax increase for 2023/24 of 4.99%, being 2.99% for 'core' council tax and 2.00% for the adult social care precept, in line with the referendum limits set by the government. Additional funding of £0.5M is available to give targeted support to help those most in need. This is on top of existing support for local council tax support claimants.
3.	The government has provided additional funds for adult social care and repurposed funding previously set aside for adult social care charging reforms into mainstream funding for social care (adults and children's). Despite this injection of funding, adequate funding for social care continues to be a major concern over the longer term given rising demand and costs in a difficult national economic climate.
4.	All local authorities are facing considerable pressures due to the sharp rise in inflation, energy cost increases, pay awards being higher than expected, higher interest rates and strong demand for council services.
5.	Savings totalling £22.0M for 2023/24 are proposed as part of the budget, however this is not sufficient to bridge the gap between forecast expenditure and funding and £20.6M is required from reserves to balance the budget. This will have a detrimental impact on the Council's financial resilience and work will need to continue during 2023/24 to find ways to reduce the call on reserves.
<u>STRATEGIC CONTEXT</u>	
<u>Autumn Statement 2022</u>	
6.	The government published the Autumn Statement 2022 on 17 November 2022, setting out spending plans for the 2-year period 2023/24 and 2024/25 and guidelines for the medium term. From a local government perspective, key headlines were the announcement of £1.0Bn additional grant funding for adult social care for 2023/24 (£1.7Bn for 2024/25), a delay in the adult social care charging reforms and repurposing of the £1.3Bn funding previously set aside for this in 2023/24 (£1.9Bn for 2024/25) and removal of funding for the Health and Social Care Levy that is no longer going ahead. For council tax increases, limits of 3% for core council tax and 2% for the adult social care precept would likely be set for each year of the next 2 years, above which local referendums would be required.
7.	Further details of the Autumn Statement are provided in section 2.3.1 of the Medium Term Financial Strategy (Annex 1.1).
<u>Local Government Finance Policy Statement and Settlement</u>	
8.	The government published a 2-year local government finance policy statement on 12 December 2022 outlining the principles that would be applied in the 2023/24 local government finance settlement and the core principles to be applied in 2024/25, followed a week later by the publication of the 2023/24 provisional settlement on 19 December

	2022, with the final settlement announced on 8 February, providing detailed allocations of funding at a local authority level for the year ahead.
9.	The policy statement set out how the additional and repurposed funding announced in the Autumn Statement would be distributed, provided confirmation that revenue support grant and the business rates baseline funding level would be updated by inflation and that the New Homes Bonus scheme would be continued for a further year. The statement also confirmed that local authorities would receive compensation, based on the Consumer Price Index (CPI), for freezing of the business rates multiplier. In the statement, Government did encourage local authorities to apply reserves to help address their budget pressures. Additionally, the published figures of local government funding support make an assumption that all councils will use the maximum possible council tax rise, and by implication, the Government's settlement assumes 5% for councils such as Southampton. It is of note that Council Tax provides a regular and ongoing financial benefit, whilst reserves by their nature are a one off source of financing only, and excessive reliance on reserves indicates the budget has fundamental underlying issues of sustainability. Reducing reserves will inevitably expose the authority to greater financial risks and also reduce the potential sums available from reserves to finance 'invest to save' type measures and other on-going savings.
10.	The policy statement and settlement confirmed local authorities could apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for each of the years 2023/24 and 2024/25.
11.	In the policy statement the government set out its intention not to make any changes to how the local government finance system operates during the remaining life of this parliament. This means any updates to needs and resources assessments will not be made until 2025/26 at the earliest, at least 5 years later than originally proposed. This uncertainty over future funding doesn't help local authorities like Southampton reach long-term financial sustainability.
12.	Further details of the local government finance policy statement and provisional settlement are provided in sections 2.3.2 and 2.3.3 of the Medium Term Financial Strategy (Annex 1.1). The final local government finance settlement was announced on 8 February 2023 and largely confirmed the allocations made in the provisional settlement.
	<u>Other national issues affecting the MTFS</u>
13.	The cost of living crisis, high levels of inflation, energy prices, high wage growth and increased interest rates are having a significant effect on the financial position of the Council. This comes on top of increased demand continuing as a legacy of the COVID-19 pandemic.
14.	Other issues affecting the MTFS include: <ul style="list-style-type: none"> • Homes for Ukraine • Adult social care reform • Levelling Up Funding
15.	Further details are set out in section 2.2.2 of the Medium Term Financial Strategy (Annex 1.1).
	<u>LOCAL CONTEXT</u>
	<u>Council Priorities</u>
16.	The revenue budget and MTFS are integral to the delivery of the City Council Corporate Plan. The plan sets out how the Council aims to create a place where people want to live, work, study, visit and enjoy by delivering on four goals, which are:

	<ul style="list-style-type: none"> • A prosperous city • A proud and resilient city • Strong foundations for life • A successful, sustainable organisation 												
17.	The Council's budget setting process centres around these organisational goals to ensure resources are directed towards agreed priorities. Chart 1 below shows the £234.2M revised net revenue expenditure budget (excluding transfers from reserves) for 2022/23 broken down by organisational goal.												
18.	<p><u>Chart 1 – Net revenue expenditure (excluding transfers from reserves) by organisational goal</u></p>  <table border="1"> <caption>Net Revenue Expenditure by Organisational Goal</caption> <thead> <tr> <th>Organisational Goal</th> <th>Approximate Amount</th> </tr> </thead> <tbody> <tr> <td>Strong Foundations for Life</td> <td>£121.0M</td> </tr> <tr> <td>A Prosperous City</td> <td>£55.7M</td> </tr> <tr> <td>A Proud and Resilient City</td> <td>£30.0M</td> </tr> <tr> <td>A Successful, Sustainable Organisation</td> <td>£15.0M</td> </tr> <tr> <td>Centrally held budgets excluding transfers from reserves</td> <td>£13.5M</td> </tr> </tbody> </table>	Organisational Goal	Approximate Amount	Strong Foundations for Life	£121.0M	A Prosperous City	£55.7M	A Proud and Resilient City	£30.0M	A Successful, Sustainable Organisation	£15.0M	Centrally held budgets excluding transfers from reserves	£13.5M
Organisational Goal	Approximate Amount												
Strong Foundations for Life	£121.0M												
A Prosperous City	£55.7M												
A Proud and Resilient City	£30.0M												
A Successful, Sustainable Organisation	£15.0M												
Centrally held budgets excluding transfers from reserves	£13.5M												
	<u>Legacy of Public Sector Spending Reductions</u>												
19.	The settlement funding assessment (SFA) is the Government's calculation of funding required by a local authority after allowing for income generated from council tax.												
20.	Government measures to reduce public sector spending in the previous decade saw a significant reduction in local government funding, with the Council's SFA reducing by almost a half from £121.0M in 2013/14 (when the current local government finance system was introduced) to £65.3M in 2019/20.												
21.	The Council's SFA for 2023/24 has increased by £3.7M compared to 2022/23 in the provisional local government finance settlement, with the real-terms additional resources announced in the 2022 Autumn Statement being allocated via specific grants rather than the SFA. This is only a £5.0M increase over the last 4 years compared to the £55.7M reduction over the previous 6 years.												
22.	Core Spending Power (CSP) is the Government's measure of resources available to local authorities to fund services delivery, taking into account the SFA, certain government grants and council tax. Council tax charges are assumed to increase by the maximum allowable within the referendum limits.												
23.	The Council's CSP for 2023/24 in cash terms is only just back up to the level it was in 2010/11. In real terms the Council has seen a 23.8% reduction in resources since 2010/11.												

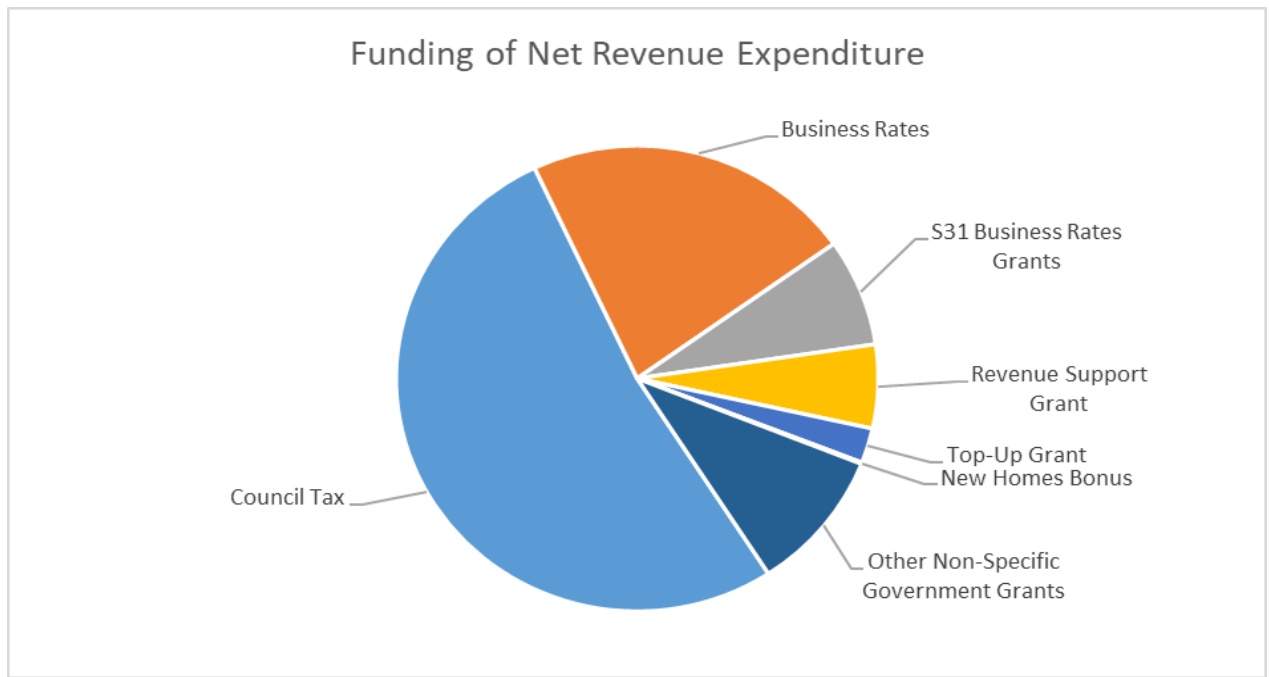
24.	Further details are provided in sections 1.1.1 and 1.1.2 of the Medium Term Financial Strategy (Annex 1.1).
	<u>Savings History</u>
25.	Southampton City Council has agreed some £84M of savings between 2016/17 and 2022/23, including any step-up in amounts for future years, which has been a necessary part of achieving a balanced budget. More details are included in section 1.1.3 of the Medium Term Financial Strategy (Annex 1.1).
	<u>2022/23 General Fund Revenue Forecast Outturn</u>
26.	The 2022/23 forecast outturn for the General Revenue Fund is a deficit of £10.34M, after taking into account £4.70M of agreed in-year savings. Failing any further improvement in the financial position this will need to be met from the Medium Term Financial Risk Reserve.
27.	The main contributor to the adverse position is the Children & Learning portfolio, which has a forecast deficit of £11.02M, of which over half relates to Pathways Through Care and the increased demand for services.
28.	Further details on the forecast outturn position for 2022/23 are included within the report on the Financial Monitoring for the period to the end of December 2022 to be considered by Cabinet at its meeting on the 21 February 2023. This latest position has been taken into consideration in updating the Medium Term Financial Strategy.
	<u>2022/23 Collection Fund Forecast Outturn</u>
29.	Southampton City Council's share of the forecast deficit to be carried forward on the Collection Fund after taking into account government grant for business rates reliefs and their timing differences is £1.69M. This comprises a £0.26M deficit for Council Tax and a £1.43M deficit (after grant) for business rates. Further details are included within the Financial Monitoring for the period to the end of December 2022 report to be considered by Cabinet at its meeting on the 21 February 2023.
30.	The government made regulations in 2020 to require, by exception, 2020/21 in-year deficits to be spread over 3 years. £1.20M of the net Collection Fund deficit being carried forward into 2023/24 is for the final year of this exceptional deficit and was included in the Medium Term Financial Strategy agreed in February 2022.
	<u>MEDIUM TERM FINANCIAL STRATEGY AND GENERAL FUND BUDGET</u>
31.	The Medium Term Financial Strategy (MTFS) provides a strategic financial framework for the delivery of the Council's priorities.
32.	There are 6 key aims: <ul style="list-style-type: none"> • To provide financial parameters within which budget and service planning should take place; • To ensure the Council sets a balanced budget; • To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability; • To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area and where ring-fenced government funding is reduced the service area takes action to reduce expenditure accordingly;

	<ul style="list-style-type: none"> To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and To ensure that the Council's long term financial health and viability remain sound. 																																			
33.	The MTFs covers the financial years 2023/24 to 2026/27 however, given uncertainties around both funding levels and spending pressures, the future years are only indicative at this stage.																																			
	<u>Update on budget for 2023/24 at November 2022</u>																																			
34.	A report providing an update on the budget forecast for 2023/24 and savings plans being consulted upon was presented to Cabinet in November 2022.																																			
35.	The report outlined anticipated changes to government funding, budget and inflationary pressures faced by the Council and draft proposals and measures to help mitigate the forecast budget shortfall. The proposals within the report did not achieve a balanced budget for 2023/24, with an increased shortfall of £28.9M still to be addressed. The report is available as agenda item 31 at: Agenda for Cabinet on Tuesday, 8th November, 2022, 4.30 pm Southampton City Council																																			
36.	A summary of the forecast budget shortfall as reported in November is set out in Table 1 below.																																			
	<p><u>Table 1 – General Fund Forecast Budget Shortfall November 2022</u></p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>Forecast Budget Shortfall February 2022 (after previously agreed savings)</td> <td>23.43</td> <td>21.46</td> <td>21.95</td> <td>21.95</td> </tr> <tr> <td>Funding Changes</td> <td>(6.82)</td> <td>(6.82)</td> <td>(6.82)</td> <td>(6.82)</td> </tr> <tr> <td>Use of Reserves</td> <td>(1.00)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Budget and Inflationary Pressures</td> <td>30.34</td> <td>27.80</td> <td>29.78</td> <td>35.94</td> </tr> <tr> <td>Draft Savings Proposals</td> <td>(17.05)</td> <td>(16.21)</td> <td>(18.82)</td> <td>(19.51)</td> </tr> <tr> <td>Forecast Budget Shortfall November 2022</td> <td>28.90</td> <td>26.23</td> <td>26.10</td> <td>31.57</td> </tr> </tbody> </table> <p style="text-align: center;">NB Numbers are rounded</p>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Forecast Budget Shortfall February 2022 (after previously agreed savings)	23.43	21.46	21.95	21.95	Funding Changes	(6.82)	(6.82)	(6.82)	(6.82)	Use of Reserves	(1.00)				Budget and Inflationary Pressures	30.34	27.80	29.78	35.94	Draft Savings Proposals	(17.05)	(16.21)	(18.82)	(19.51)	Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57
	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																																
Forecast Budget Shortfall February 2022 (after previously agreed savings)	23.43	21.46	21.95	21.95																																
Funding Changes	(6.82)	(6.82)	(6.82)	(6.82)																																
Use of Reserves	(1.00)																																			
Budget and Inflationary Pressures	30.34	27.80	29.78	35.94																																
Draft Savings Proposals	(17.05)	(16.21)	(18.82)	(19.51)																																
Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57																																
	<u>Updated Medium Term Forecast</u>																																			
37.	<p>The budget forecast update report on 8 November 2022 showed a shortfall of £28.9M for 2023/24 and a similar level of budget gap persisting over the medium term. However, at the time the report was published the Autumn Statement had not been announced and measures to address the budget shortfalls were still being pursued.</p> <p>A full update of the Medium Term Financial Strategy is provided as part of this report (Annex 1.1) and the following sections provide an update on the Council's resources, together with updated budget proposals and the outlook over the medium term.</p>																																			
	<u>Council Resources</u>																																			
	<u>Council Tax</u>																																			
38.	The draft budget proposes an increase in 'core' council tax of 2.99% and an increase in the adult social care precept of 2.00% for 2023/24, in line with the referendum limits set by the government, which means that the overall charge for the Southampton City Council element of the council tax will increase to £1,726.47 for a Band D household, which is an																																			

	extra £1.58 per week. The full calculation is set out in Annex 1.2, which shows the council tax requirement for 2023/24 is £115.8M. Additional charges will be made by the Police and Fire authorities as set out in Annex 1.3.
39.	The Council currently estimates it is incurring £15.9M in total for the local council tax support scheme it operates, providing support to over 20,000 local council tax bills. The council has maintained support to residents on a low income from April 2014 at the same level, despite a reduction in the funding for our local council tax support scheme from central government. The Council will receive a £0.50M share of the Council Tax Support Fund in 2023/24, to be used to discount council tax bills for local council tax support claimants by up to £25. On top of this extra discount, the Council will also have a hardship fund of around £0.34M for targeted support. We will also be partnering with Wessex Community Bank to offer more financial support to individuals and community groups.
40.	The tax base has been calculated at 67,057 (Band D equivalents) for 2023/24, which represents an increase of 1.4% on the tax base applied in 2022/23 (an increase of around £1.6M in council tax income). The increase stems primarily from a rise in the estimated number of chargeable properties and a reduction in estimated discounts and exemptions, including for the removal of the discount of one month's council tax for landlords of empty and unfurnished properties.
41.	For planning purposes only, the MTFS includes the working assumption that the 'core' council tax charge will increase by 1.99% each year from 2024/25 and no increase in the adult social care precept has been assumed for future years.
	<u>Business Rates</u>
42.	Under the Business Rates Retention Scheme the Council will retain 49% of the business rates collected locally, with 1% going to the Hampshire and Isle of Wight Fire & Rescue Authority and 50% to central government. The Council's estimated share of business rates income (excluding government grant in lieu of rates) for 2023/24 is £47.5M. Rateable values have been revalued with effect from April 2023 and there is a government funded transitional relief scheme to ease the impact on businesses of any large increases. A freeze in the business rates multiplier for the third year running and an extension and increase of rate relief measures for the retail, hospitality and leisure sectors, as announced in the Autumn Statement 2022, will be funded by government grant.
43.	The business rates income estimates included in the MTFS assume some business rates growth from new commercial developments that are already in the pipeline, net of reductions in rateable values where known. Estimates for future years will change as new plans develop to add to the existing pipeline. The estimates also include assumptions about the level of empty property relief and provisions required for rateable value appeals.
44.	<u>Solent Freeport</u> The Solent Freeport went live in November 2022. The business rates income within the MTFS includes the starting 'baseline' position, however any growth in business rates in the designated tax sites across the Solent (including Redbridge within Southampton) will be pooled for use as agreed by the Freeport and is not included in the MTFS.

	<u>Government Grants</u>
45.	<p><u>Revenue Support Grant</u></p> <p>Following years of reductions due to austerity measures up to 2019/20, Revenue Support Grant (RSG) has seen 4 years of inflationary uplifts. For 2023/24 the inflationary uplift applied is £1.1M. In addition, £0.4M of specific grants have been rolled into RSG, taking it to £12.9M. However, this compares with an RSG allocation of £72.7M when the current funding system was first introduced in 2013/14.</p>
46.	<p><u>New Homes Bonus</u></p> <p>The scheme was expected to end in 2022/23, however the government has rolled it over for yet one more year, with the Council's allocation being £0.2M. The government have promised another consultation on the future of the scheme before the next local government finance settlement.</p>
47.	<p><u>Other Grants</u></p> <p>The Council's share of the extra resources for adult social care announced in the 2022 Autumn Statement is £4.1M for 2023/24 (£2.6M ASC Market Sustainability and Improvement Fund and £1.5M Adult Social Care Discharge Fund). This ring-fenced funding is being used to meet expenditure pressures within the service.</p> <p>The Council has seen an increase of £6.9M in its un-ringfenced Social Care Grant to £18.5M, which includes £0.4M of specific grant rolled in. Social Care Grant has become an increasingly important source of funding for the Council over recent years.</p> <p>Services Grant, which was a new funding stream in 2022/23, has been reduced by £1.6M to £2.2M for 2023/24 and the Lower Tier Services Grant (£0.5M in 2022/23) has been discontinued.</p> <p>Further details on government grants are provided in section 1.2.3 of the Medium Term Financial Strategy (Annex 1.1) and a schedule of key grants received by the Council is included at Annex 1.4.</p>
48.	<p>Chart 2 below shows how the Council's 2023/24 Net General Fund Budget of £221.5M is funded from council tax, business rates and non-specific government grants. Council tax revenue is the single most significant portion of council funding.</p>

49. Chart 2 Funding of 2023/24 Net General Fund Budget



Previously Agreed Budget Changes

50. The MTFs approved each year includes the impact of budget pressures, savings and Executive commitments (if any) for the 4 years of the MTFs. These previously agreed changes need to be borne in mind when considering any new proposals. Table 2 below summarises the previously agreed budget changes for 2023/24 to 2026/27, with further details provided in section 1.4.1 of the Medium Term Financial Strategy (Annex 1.1) and Annex 1.1(b).

51. Table 2 – Summary of Previously Agreed Budget Changes

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M
Budget Pressures	55.38	55.14	55.80	55.80
Savings	(39.88)	(41.52)	(42.09)	(42.09)
Executive Commitments	10.63	10.54	10.60	10.60
Total Previously Agreed Budget Changes	26.13	24.16	24.32	24.32

Numbers are rounded

Budget Pressures

52. The budget forecast update report to Cabinet in November 2022 noted budget and inflationary pressures totalling £30.3M in 2023/24, of which £3.0M related to inflation/centrally held contingency and the remaining £27.3M to other budget pressures. Inflation and centrally held contingency are discussed in paragraphs 59 to 61. Table 3 below sets out the updated position for other budget pressures. These are mainly due to demand-led costs within social care (including previously agreed savings no longer being achievable), as well as pressures due to high energy costs, higher interest rates and other effects of the cost of living crisis.

53.	<p>Table 3 – Summary of Budget Pressures</p> <table border="1"> <thead> <tr> <th>Organisational Goal</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>A prosperous city</td> <td>1.19</td> <td>1.67</td> <td>1.23</td> <td>1.23</td> </tr> <tr> <td>A proud and resilient city</td> <td>3.58</td> <td>3.72</td> <td>3.75</td> <td>3.78</td> </tr> <tr> <td>A successful, sustainable organisation</td> <td>3.57</td> <td>3.18</td> <td>2.93</td> <td>3.14</td> </tr> <tr> <td>Strong foundations for life</td> <td>18.09</td> <td>14.43</td> <td>13.83</td> <td>13.83</td> </tr> <tr> <td>Centrally held budgets and funding</td> <td>1.80</td> <td>2.24</td> <td>3.70</td> <td>4.54</td> </tr> <tr> <td>Total Budget Pressures</td> <td>28.22</td> <td>25.24</td> <td>25.44</td> <td>26.52</td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>	Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	A prosperous city	1.19	1.67	1.23	1.23	A proud and resilient city	3.58	3.72	3.75	3.78	A successful, sustainable organisation	3.57	3.18	2.93	3.14	Strong foundations for life	18.09	14.43	13.83	13.83	Centrally held budgets and funding	1.80	2.24	3.70	4.54	Total Budget Pressures	28.22	25.24	25.44	26.52
Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																																
A prosperous city	1.19	1.67	1.23	1.23																																
A proud and resilient city	3.58	3.72	3.75	3.78																																
A successful, sustainable organisation	3.57	3.18	2.93	3.14																																
Strong foundations for life	18.09	14.43	13.83	13.83																																
Centrally held budgets and funding	1.80	2.24	3.70	4.54																																
Total Budget Pressures	28.22	25.24	25.44	26.52																																
54.	Details of the final budget pressures are provided in Annex 1.5.																																			
	<u>Savings</u>																																			
55.	The budget forecast update report to Cabinet in November 2022 noted draft savings proposals totalling £17.0M for 2023/24, of which £1.0M was the subject of a budget consultation exercise. The emphasis on savings continues to be on driving through efficiencies and costs reductions with a view to protecting front line services and council priorities and the remaining £16.0M related to efficiency measures (£12.6M), income generation proposals (£1.3M) and other savings (£2.1M).																																			
56.	Further work has been on-going to firm up the draft savings proposals and identify further ways of meeting the budget shortfall outlined in the November report. Table 4 below gives a summary of the updated position. Details of the final savings proposals are included at Annex 1.6, with additional information on the part-night street lighting proposal at Annex 1.7.																																			
57.	<p>Table 4 – Summary of Savings Proposals</p> <table border="1"> <thead> <tr> <th>Organisational Goal</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>A prosperous city</td> <td>(3.03)</td> <td>(1.71)</td> <td>(1.71)</td> <td>(1.71)</td> </tr> <tr> <td>A proud and resilient city</td> <td>(0.99)</td> <td>(1.00)</td> <td>(0.97)</td> <td>(0.94)</td> </tr> <tr> <td>A successful, sustainable organisation</td> <td>(5.07)</td> <td>(5.38)</td> <td>(5.97)</td> <td>(6.16)</td> </tr> <tr> <td>Strong foundations for life</td> <td>(2.48)</td> <td>(2.98)</td> <td>(2.48)</td> <td>(2.48)</td> </tr> <tr> <td>Centrally held budgets and funding</td> <td>(10.46)</td> <td>(8.11)</td> <td>(8.06)</td> <td>(7.98)</td> </tr> <tr> <td>Total Savings</td> <td>(22.03)</td> <td>(19.17)</td> <td>(19.19)</td> <td>(19.27)</td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>	Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	A prosperous city	(3.03)	(1.71)	(1.71)	(1.71)	A proud and resilient city	(0.99)	(1.00)	(0.97)	(0.94)	A successful, sustainable organisation	(5.07)	(5.38)	(5.97)	(6.16)	Strong foundations for life	(2.48)	(2.98)	(2.48)	(2.48)	Centrally held budgets and funding	(10.46)	(8.11)	(8.06)	(7.98)	Total Savings	(22.03)	(19.17)	(19.19)	(19.27)
Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																																
A prosperous city	(3.03)	(1.71)	(1.71)	(1.71)																																
A proud and resilient city	(0.99)	(1.00)	(0.97)	(0.94)																																
A successful, sustainable organisation	(5.07)	(5.38)	(5.97)	(6.16)																																
Strong foundations for life	(2.48)	(2.98)	(2.48)	(2.48)																																
Centrally held budgets and funding	(10.46)	(8.11)	(8.06)	(7.98)																																
Total Savings	(22.03)	(19.17)	(19.19)	(19.27)																																
58.	It should be noted that some of the proposed savings relating to 2024/25 onwards are subject to further consultation.																																			
	<u>Other MTFS Amendments</u>																																			
59.	<p><u>Inflation</u></p> <p>The continuing high level of inflation being experienced nationally is impacting on the Council's contract and pay costs. £6.0M has been allocated from the central inflationary pressures budget for 2023/24 for estimated inflation on contracts. No allocation has been made for 2023/24 pay awards, pending agreement of pay settlements, however £4.9M (4.0%) has been allowed for within the budget. £1.1M previously set aside for the 1.25% increase in the employer's national insurance contribution rate (the Health and Social Care Levy) has been released as a saving.</p>																																			

	The central inflationary pressures budget has been topped-up by £4.9M in 2023/24, rising to £17.8M in 2026/27, to provide sufficient cover for these allocations and likely calls on the budget, including adult social care contracts inflation from 2024/25. In addition, £4.5M has been transferred from centrally held contingency to help meet the costs of the 2022/23 pay award.
60.	<u>Employer's Pension Contributions</u> The Local Government Pension Scheme (LGPS) employer's contribution rate applicable from April 2023 to March 2026 is 16.8%, reflecting the decision to use the surplus above a funding level of 105% to lower the contribution rate over the next three years. The reduction in employer's contribution (circa £1.3M pa) is included within the savings.
61.	<u>Centrally Held Contingency</u> The contingency budget previously available was used in meeting the 2022/23 pay award, as noted above. The budget has been topped up to £5.2M in 2023/24 to provide cover for potential cost pressures.
	<u>Capital Asset Management</u>
62.	Capital financing costs are met from the Capital Asset Management budget held centrally within the Council. Estimates have been updated in line with the latest capital programme detailed in Appendix 2 of this report and reflect savings being made through reviewing and rephrasing the programme as well as additional costs from higher interest rates. Further details regarding capital financing assumptions are included in the Treasury Management Strategy and Prudential Limits report to Governance Committee on 13 February 2023.
63.	Interest rate forecasts will continue to be monitored and their impact on major projects and the capital programme kept under scrutiny.
	<u>Balances and Earmarked Reserves</u>
64.	The current General Fund Balance of £10.1M is considered to be appropriate to cover for unforeseen events and financial risks not provided for elsewhere.
65.	The budget strategy involves using a very significant proportion of reserves to balance the budget for 2023/24. Earmarked reserves (excluding schools' balances) are projected to reduce from £96.2M (including £20.9M revenue grants carried forward mainly relating to COVID-19) at the start of 2022/23 to £20.7M by the end of 2023/24 (including the uncommitted MTFR reserve at £10.3M). See paragraphs 20 to 45 of the main report for the S151 Officer's statement on the adequacy of reserves. A contribution of £2M a year from 2024/25 onwards has been assumed in the MTFRS to help replenish corporate reserves. These figures exclude a cumulative deficit on the Dedicated Schools Grant being held in a separate account in accordance with regulations, which is forecast to be £10.2M at the end of 2022/23. The government has recently extended this statutory override to the end of 2025/26, however there is still a risk that if not eradicated the deficit will fall to be included within earmarked reserves in 2026/27.
66.	Table 5 summarises the net use of corporate reserves included within the 2023/24 budget proposals. No contributions to or from reserves for 2023/24 had been agreed in previous budget rounds.

67.	<p>Table 5 – Use of Corporate Reserves</p> <table border="1" data-bbox="217 241 1265 434"> <thead> <tr> <th></th> <th style="text-align: right;">2023/24 £M</th> </tr> </thead> <tbody> <tr> <td>Net use of reserves (excluding Collection Fund timing differences)</td> <td style="text-align: right;">(23.73)</td> </tr> <tr> <td>Net use of reserves for Collection Fund timing differences</td> <td style="text-align: right;">3.12</td> </tr> <tr> <td>Net contribution from reserves</td> <td style="text-align: right;">(20.62)</td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>		2023/24 £M	Net use of reserves (excluding Collection Fund timing differences)	(23.73)	Net use of reserves for Collection Fund timing differences	3.12	Net contribution from reserves	(20.62)																																
	2023/24 £M																																								
Net use of reserves (excluding Collection Fund timing differences)	(23.73)																																								
Net use of reserves for Collection Fund timing differences	3.12																																								
Net contribution from reserves	(20.62)																																								
68.	Further details on the forecast reserves balances and use of corporate reserves are provided in section 1.5 of the Medium Term Financial Strategy (Annex 1.1).																																								
<u>Updated Medium Term Financial Strategy</u>																																									
69.	Table 6 below summarises the changes since the position reported to Cabinet in November 2022, with more details provided in Annex 1.8.																																								
70.	<p>Table 6 – Summary of Changes</p> <table border="1" data-bbox="217 770 1493 1144"> <thead> <tr> <th></th> <th style="text-align: right;">2023/24 £M</th> <th style="text-align: right;">2024/25 £M</th> <th style="text-align: right;">2025/26 £M</th> <th style="text-align: right;">2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>Forecast Budget Shortfall November 2022</td> <td style="text-align: right;">28.90</td> <td style="text-align: right;">26.23</td> <td style="text-align: right;">26.10</td> <td style="text-align: right;">31.57</td> </tr> <tr> <td>Funding Changes</td> <td style="text-align: right;">(6.56)</td> <td style="text-align: right;">(11.91)</td> <td style="text-align: right;">(13.38)</td> <td style="text-align: right;">(19.38)</td> </tr> <tr> <td>Use of Reserves</td> <td style="text-align: right;">(21.99)</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">2.00</td> <td style="text-align: right;">2.00</td> </tr> <tr> <td>New/Amended Budget and Inflationary Pressures</td> <td style="text-align: right;">7.92</td> <td style="text-align: right;">13.24</td> <td style="text-align: right;">11.72</td> <td style="text-align: right;">13.96</td> </tr> <tr> <td>New/Amended Savings Proposals</td> <td style="text-align: right;">(4.98)</td> <td style="text-align: right;">(2.96)</td> <td style="text-align: right;">(0.37)</td> <td style="text-align: right;">0.24</td> </tr> <tr> <td>Additional Council Tax/Adult Social Care Precept Flexibilities</td> <td style="text-align: right;">(3.29)</td> <td style="text-align: right;">(3.38)</td> <td style="text-align: right;">(3.50)</td> <td style="text-align: right;">(3.60)</td> </tr> <tr> <td>Amended Budget Shortfall February 2023</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">21.22</td> <td style="text-align: right;">22.56</td> <td style="text-align: right;">24.79</td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57	Funding Changes	(6.56)	(11.91)	(13.38)	(19.38)	Use of Reserves	(21.99)	0.00	2.00	2.00	New/Amended Budget and Inflationary Pressures	7.92	13.24	11.72	13.96	New/Amended Savings Proposals	(4.98)	(2.96)	(0.37)	0.24	Additional Council Tax/Adult Social Care Precept Flexibilities	(3.29)	(3.38)	(3.50)	(3.60)	Amended Budget Shortfall February 2023	0.00	21.22	22.56	24.79
	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																																					
Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57																																					
Funding Changes	(6.56)	(11.91)	(13.38)	(19.38)																																					
Use of Reserves	(21.99)	0.00	2.00	2.00																																					
New/Amended Budget and Inflationary Pressures	7.92	13.24	11.72	13.96																																					
New/Amended Savings Proposals	(4.98)	(2.96)	(0.37)	0.24																																					
Additional Council Tax/Adult Social Care Precept Flexibilities	(3.29)	(3.38)	(3.50)	(3.60)																																					
Amended Budget Shortfall February 2023	0.00	21.22	22.56	24.79																																					
71.	Details of the 2023/24 budget by service activity, showing budget adjustments being made in this budget round, are included at Annex 1.9.																																								
72.	The updated position over the period of the MTFs shows forecast net expenditure being around £21M a year more than the forecast funding available from 2024/25 onwards, as set out in table 7.																																								
73.	<p>Table 7 – Forecast Budget Shortfall</p> <table border="1" data-bbox="217 1456 1493 1688"> <thead> <tr> <th></th> <th style="text-align: right;">2023/24 £M</th> <th style="text-align: right;">2024/25 £M</th> <th style="text-align: right;">2025/26 £M</th> <th style="text-align: right;">2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td style="text-align: right;">221.45</td> <td style="text-align: right;">250.50</td> <td style="text-align: right;">258.26</td> <td style="text-align: right;">266.58</td> </tr> <tr> <td>Funding</td> <td style="text-align: right;">(221.45)</td> <td style="text-align: right;">(229.28)</td> <td style="text-align: right;">(235.70)</td> <td style="text-align: right;">(241.79)</td> </tr> <tr> <td>Forecast Budget Shortfall</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">21.22</td> <td style="text-align: right;">22.56</td> <td style="text-align: right;">24.79</td> </tr> </tbody> </table>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Net Expenditure	221.45	250.50	258.26	266.58	Funding	(221.45)	(229.28)	(235.70)	(241.79)	Forecast Budget Shortfall	0.00	21.22	22.56	24.79																				
	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																																					
Net Expenditure	221.45	250.50	258.26	266.58																																					
Funding	(221.45)	(229.28)	(235.70)	(241.79)																																					
Forecast Budget Shortfall	0.00	21.22	22.56	24.79																																					
74.	<p>For 2024/25 onwards, the medium term forecast does not include anything for government reward for housing growth and council tax is only assumed to increase by 1.99% a year. If either of these assumptions is more favourable than anticipated this would reduce the budget shortfall. Conversely, there are numerous downside risks to the medium term forecast as set out in section 1.9 of the Medium Term Financial Strategy (Annex 1.1).</p> <p>Corporate reserves are being depleted to meet the forecast 2022/23 in-year deficit and balance the budget in 2023/24, therefore there are insufficient reserves to help offset budget shortfalls in future years.</p>																																								

75.	Annex 1.1(a) to the Medium Term Financial Strategy (Annex 1.1) summarises the 2023/24 budget and projections for 2024/25, 2025/26 and 2026/27 by organisational goals, centrally held budgets and sources of funding. Annex 1.1(c) provides details of the medium term financial forecast by service activity.
76.	Work on reducing the call on reserves and on addressing the budget shortfalls in future will continue.
	Summary and Outlook
77.	<p>The 2023/24 revenue budget addresses the severe budgetary pressures being faced by the Council however a significant proportion of available reserves is being used to balance the budget. The 2023/24 budget includes:</p> <ul style="list-style-type: none"> • £28.2M of additional investment on service and other pressures to ensure services can continue to meet demand, contractual and legal requirements. • £22.0M of new savings measures to help balance the budget. • Draws on £20.6M of available reserves to support the budget, which includes £1.9M of sums carried forward from earlier years.
78.	<p>The budget is only balanced for one year, with forecasts showing a £21.2M shortfall for 2024/25, increasing to £24.8M by 2026/27. This represents a major financial challenge and significant threat to the financial sustainability of the Council. With reserves insufficient to deal with the shortfall in 2024/25, it will require continued work and focus on savings and income generation. As highlighted in the S25 statement from the S151 Officer, the draft budget leaves the authority with inadequate reserves and very major financial risks. The ability of the Council to cope with any continued pressure on budgets, any significant non-delivery of savings or further inflationary pressures on pay or other costs has been greatly reduced. As set out in the main report, there is a need to continue taking both action as soon as possible to deal with the financial challenges and risks being faced in 2023/24, as well as address the longer term the significant budget gap for 2024/25 onwards, starting at a shortfall of £21.2M for that year, as outlined in the MTFS.</p>
Annexes	
1.	Medium Term Financial Strategy
2.	2023/24 Council Tax Calculation
3.	2023/24 Council Tax Collection Fund Estimates
4.	Government Grants
5.	Budget Pressures
6.	Savings Proposals
7.	Part-Night Street Lighting
8.	Movements in Budget Shortfall
9.	2023/24 Net Revenue Expenditure Budget Adjustments by Service Activity

Southampton City Council
MEDIUM TERM FINANCIAL
STRATEGY

2023/24 – 2026/27

MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2026/27

Contents

Introduction

Section 1 Local Financial Forecast

- 1.1 Financial trends
- 1.2 Council resources
- 1.3 Other financial assumptions
- 1.4 Budget pressures, savings and Executive commitments
- 1.5 Balances and earmarked reserves
- 1.6 Forecast medium term financial position
- 1.7 Capital Programme
- 1.8 Housing Revenue Account
- 1.9 Key risks
- 1.10 Managing Budgets and Forecasting

Section 2 Context

- 2.1 Strategic context
- 2.2 Policies, plans and other factors
- 2.3 National economic and public expenditure plans

Conclusion

- ANNEX 1.1(a) General Fund Revenue Account Medium Term Financial Forecast
- ANNEX 1.1 (b) Previously Agreed Budget Changes
- ANNEX 1.1(c) Medium Term Financial Forecast by Service Activity
- ANNEX 1.1(d) General Fund Earmarked Reserves
- ANNEX 1.1(e) Housing Revenue Account Medium Term Financial Forecast
- ANNEX 1.1(f) Financial Management Code

INTRODUCTION

The Medium Term Financial Strategy (MTFS) provides a strategic financial framework and a forward looking approach to achieve long term financial sustainability for the Council. It is central to the delivery of the Council's priorities in an affordable and sustainable way over the medium term. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including external economic influences as well as local priorities and factors.

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council faces considerable pressures and challenges, such as those relating to the cost of living crisis and increased demand for social care. The MTFS recognises the key role that financial resources play in the future delivery of priorities and in enabling the effective planning, management and delivery of services. The approach concentrates on the principles that will provide a strong direction for the medium term.

The key overriding aim of the MTFS is therefore:

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

The 6 key objectives of the MTFS are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure that the Council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability;
- Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area and where ring-fenced government funding is reduced the service area takes action to reduce expenditure accordingly;
- Plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and
- Ensure that the Council's long term financial health and viability remain sound.

The MTFS enables integrated service and financial planning over the medium term, using a business planning approach. The resulting Medium Term Financial Model provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances, will continue to be kept under review over the period and the Council will need to set the level of council tax on an annual basis.

The Council's budget setting process centres around the organisational goals contained within the City Council Corporate Plan to ensure resources are directed towards agreed priorities. The budget is presented to show the resources being allocated to these organisational goals. During the 2023/24 budget process, emphasis has been given to making efficiency savings and generating additional income to help address the budget shortfall the Council faces, to minimise the impact on front line services. Work has also started on a transformation programme to determine a future operating model for the Council which will help to deliver services within the resource envelope available.

Although the Government published an Autumn Statement with spending plans for 2023/24 and 2024/25, and a Local Government Finance Policy Statement covering those 2 years, the Local Government Finance Settlement only provides funding allocations for 2023/24. The Government has deferred consideration of any reforms to the local government finance system to beyond the life of this parliament, meaning 2025/26 would be the earliest any such reforms would apply. Added to this is the uncertainty around the impact of Adult Social Care charging reforms which have been deferred until October 2025, the cost of living crisis and impact of high levels of inflation on the Council's costs and

demand for services, and the continuing legacy effects of the COVID-19 pandemic. For these reasons the future years' position within this MTFS is only indicative at this stage.

SECTION 1. Local Financial Forecast

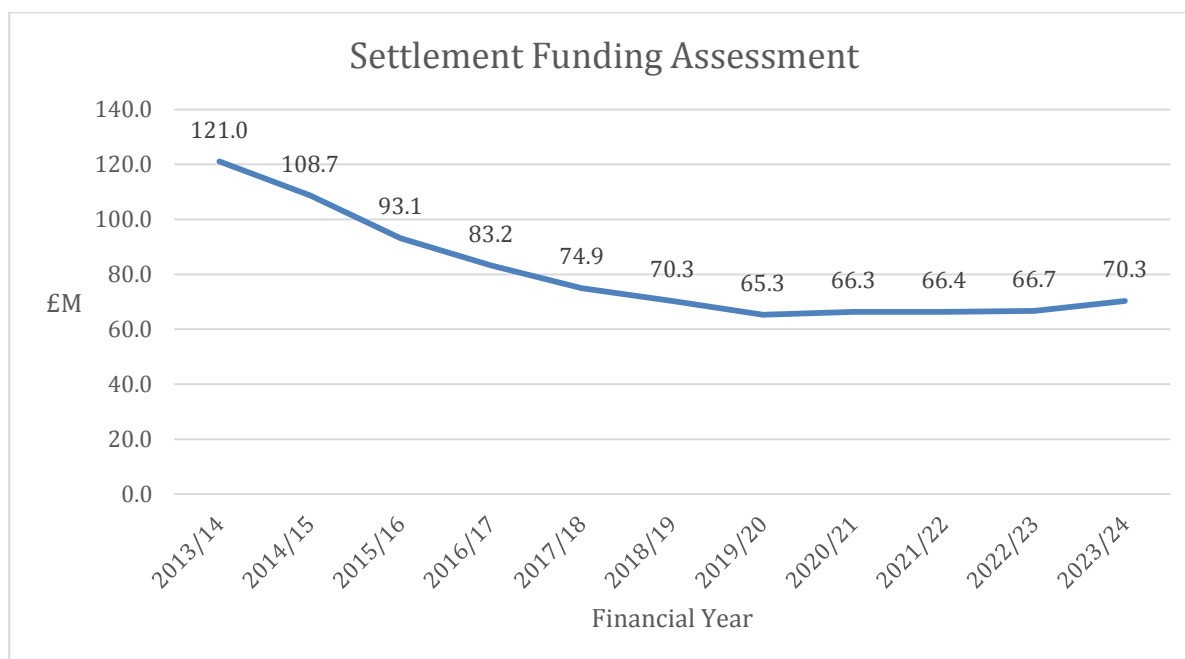
1.1 Financial Trends

1.1.1 Settlement Funding Assessment

The settlement funding assessment is the Government's measure of funding required by a local authority to meet net revenue expenditure after allowing for income generated from council tax. It is used to distribute revenue support grant to local authorities. In line with the Government's plans in the previous decade to reduce public sector spending, the settlement funding assessment was reduced over a number of years to 2019/20, and hence the amount of revenue support grant distributed to local authorities. For 2023/24 there has been an inflationary increase in the SFA, with real-terms additional resources announced in the 2022 Autumn Statement being allocated via specific grants rather than being applied to the SFA. The inflationary uplifts applied since 2020/21 don't go very far in restoring the reductions made in previous years.

The chart below shows the settlement funding assessment for the Council since 2013/14 when the current local government finance system was introduced.

CHART: SETTLEMENT FUNDING ASSESSMENT



1.1.2 Core Spending Power

Core Spending Power Is the government's measure of resources available to local authorities to fund service delivery, taking into account the Settlement Funding Assessment, certain government grants and council tax. Council tax charges are assumed to increase by the maximum allowable within the referendum limits. The Council's Core Spending Power for 2023/24 is £230.8M, an increase of £20.7M compared with 2022/23 (9.9%).

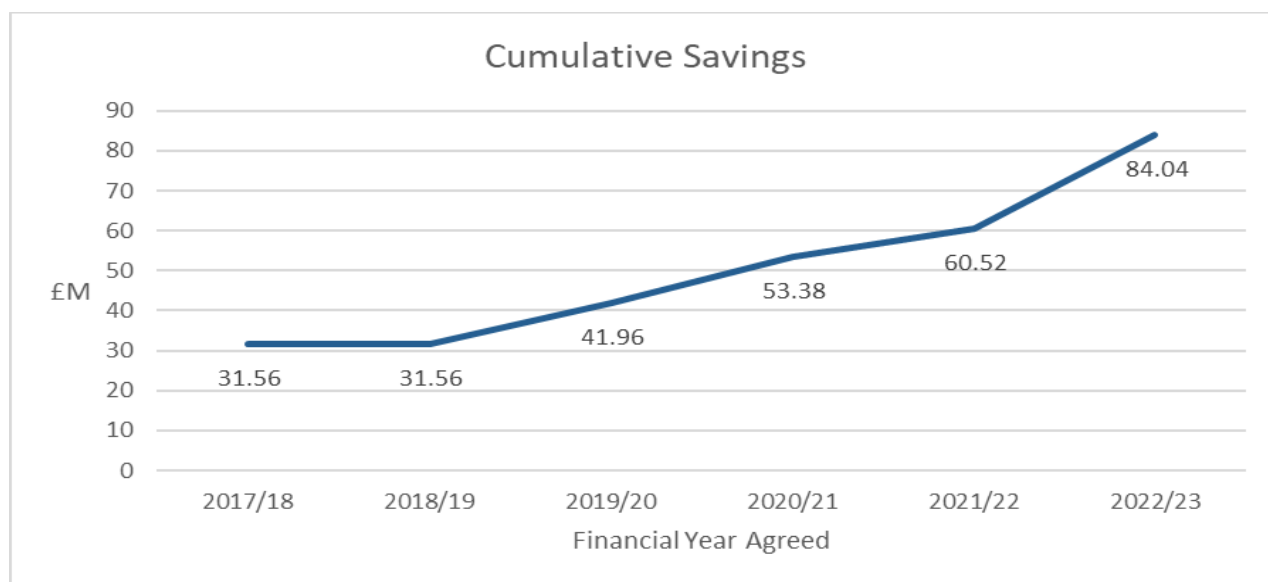
Analysis by the Special Interest Group of Metropolitan Authorities (SIGOMA) using adjusted Core Spending Power data (so that previous years are on a comparable basis to 2023/24) shows that in cash terms the resources available to the Council in 2023/24 are only just back up to the level they were in 2010/11. The 13-year cumulative cash increase since 2010/11 is £7.5M or 2.9%, compared with an England average of 7.5%. In real terms the Council has seen a £69.1M or

23.8% reduction in resources since 2010/11, compared with an England average of 20.4%.

1.1.3 Savings History

In response to reduced Government funding and service expenditure pressures, the council has agreed some £84M of General Fund savings over the last 6 years (see following chart), which comes on top of substantial savings since Government austerity measures were introduced.

CHART: SAVINGS HISTORY



Sustaining the level of savings required to achieve a balanced budget is becoming increasingly difficult, particularly in the face of increased cost pressures due to the cost of living crisis and high demand for services. The Council had sought to make savings via delivering efficiency savings and through income generation as far as possible, rather than make service reductions.

1.2 COUNCIL RESOURCES

The table below summarises the Council's key funding assumptions for the Medium Term Financial Strategy. Percentages indicate forecast year-on-year changes. Estimates of general funding are shown in the Medium Term Financial Forecast at Annex 1.1(a).

TABLE 1 SUMMARY OF KEY FUNDING ASSUMPTIONS

2022/23	Item	2023/24	2024/25	2025/26	2026/27
£1,644.39	Increase in Core Council Tax Charge	2.99%	1.99%	1.99%	1.99%
£186.31	Increase in Adult Social Care Precept	2.00%	0.00%	0.00%	0.00%
66,146	Council Tax Base (No. of Band D equivalents)	67,057	67,474	68,430	69,108
49.9p	Increase in Small Business Rates Multiplier	0.0%	5.4%	3.2%	2.6%
£11.37M	Increase in Revenue Support Grant*	13.3%	5.4%	3.2%	2.6%
£4.63M	Increase in Top Up Grant	15.9%	5.4%	3.2%	2.6%
£0.91M	Reduction in New Homes Bonus	-76.6%	-100.0%	0.0%	0.0%

* Other specific grants have been rolled into Revenue Support Grant in 2023/24

1.2.1 Council Tax and Adult Social Care Precept

In the local government finance settlement local authorities were given the ability to apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for 2023/24 without the need for a local referendum. As set out in Table 1 above, increases are being applied in 2023/24 in line with those referendum limits. The Autumn Statement 2022 indicated that the 3% core and 2% adult social care precept increases would also be available in 2024/25. However, for planning purposes, the working assumption for 2024/25 and future years is a 1.99% increase in the core council tax and no increase in the adult social care precept.

The council tax base that has been assumed for each financial year is detailed in Table 1. The tax base for future years includes assumptions about growth in the number of residential properties and the impact of the cost of living crisis on the number of local council tax support claimants (LCTS). The 2021/22 tax base assumed an increase in the number of LCTS claimants due to the pandemic, however this was not as severe as anticipated, hence there was a 'bounce back' effect in 2022/23, with an increase in the estimated collection rate giving a further boost to the tax base, as shown in the chart below. Part of the increase for 2023/24 is due to the removal of the discount for one month's council tax for landlords of empty and unfurnished properties.

CHART: CHANGE IN COUNCIL TAX BASE

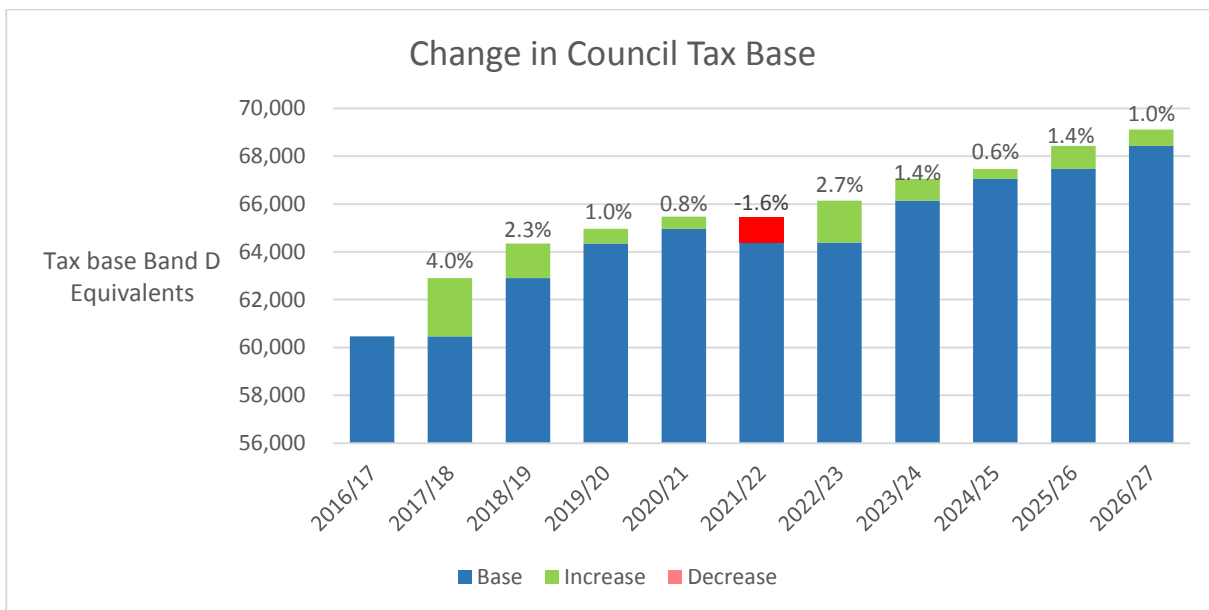


Table 2 below shows the council tax and adult social care precept income that has been included in the medium term financial forecast at Annex 1.1(a).

TABLE 2 COUNCIL TAX INCOME

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M
Council Tax - General Precept	101.07	104.02	107.89	111.43
Council Tax - Adult Social Care Precept	14.70	14.79	15.00	15.15
Total Council Tax Income	115.77	118.81	122.89	126.58

1.2.2 Business Rates

Under the Government's funding arrangements for local authorities the business rate retention scheme means councils retain a proportion of their business rates, including growth, but also take the risk of reductions in business rates during times of recession, although there are 'safety net' arrangements in place to protect against very large reductions. Local authorities are compensated by way of S31 grant for reductions to business rates arising from changes in Government policy since the retention scheme was introduced e.g. additional reliefs and a lower uplift or freezing of the business rates multiplier.

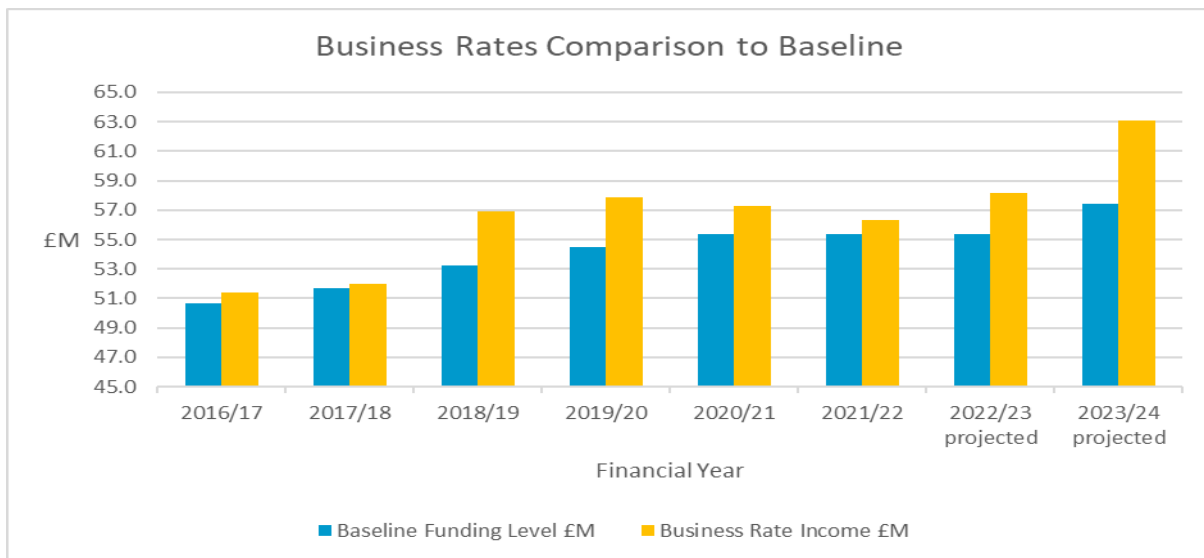
The government has frozen the business rates multiplier in cash terms for the third year running for 2023/24. The MTFS assumes that it will increase with inflation thereafter as set out in Table 1 above.

There are assumptions built into the MTFS for business rates growth, based on an assessment of new commercial developments undertaken in conjunction with the Development and Growth Team. This estimate is based on projects which are already in the pipeline. It also includes the impact of reductions in rateable values were known.

Rateable values have been revalued with effect from April 2023 and the Council's Business Rates Top-Up Grant has been adjusted so that, as far as practicably possible, it is no better or worse off as a result of the Revaluation exercise, including for transfers from the local rating list to the Government's central list.

The graph below shows the growth in business rates income (including Government grant in lieu of rates) above the Government's baseline funding level since 2016. Although business rates income declined in 2020/21 and 2021/22 it was still above the baseline level. The decline in business rates income in those years was mainly due to successful appeals and other changes to rateable values. The increase in projected business rates income for 2023/24 is mainly from expected Government compensation for freezing the multiplier in lieu of an inflationary uplift.

CHART: BUSINESS RATES COMPARISON TO BASELINE



SOLENT FREEPORT

The Government consulted on a national freeports programme in 2020. Freeport status means that normal tax and customs rules do not apply and varying forms of tariff flexibility, tax measures and planning concessions at the designated tax sites should help to incentivise private business investment. The Government approved the Solent Freeport in November 2022, for which one of the designated tax sites is in Southampton. The MTFS assumes that any growth in business rates in the designated tax site will be pooled for use as agreed by the Freeport.

1.2.3 Government Grants

REVENUE SUPPORT GRANT (RSG)

Historically a major source of funding for the Council has been the Revenue Support Grant (RSG), however since the austerity measures in the previous decade were introduced this grant has been reduced drastically with the Council suffering an 85% reduction between 2013/14 (when the Business Rates Retention scheme came in) and 2019/20.

As with the previous few years, the government has applied an inflationary uplift to RSG in the 2023/24 settlement, an increase of £1.15M (10.1%) for the Council. £0.36M of specific grants have also been rolled into RSG in the settlement, the main element being Local Council Tax Admin Support Grant (£0.35M). The MTFs assumes inflationary uplifts in RSG for 2024/25 onwards based on the assumed increase in the business rates multiplier.

NEW HOMES BONUS (NHB)

The New Homes Bonus scheme rewards housing growth and empty properties being brought back into use. The scheme was expected to have ended before now, as the Government consulted on its replacement in early 2021. However, the Government decided to roll over the scheme for yet another year, with one-off allocations for 2023/24. Legacy payments relating to previous years' allocations ended in 2022/23. This grant is being funded via a 'top-slice' of £291M nationally from the resources allocated to local authorities. The Council's allocation for 2023/24 is £0.21M. Consultation on the future of the NHB is expected during 2023.

PUBLIC HEALTH GRANT

The Public Health Grant continues to be a ring-fenced grant to local authorities in 2023/24. At the time of writing the local authority allocations for 2023/24 had not been announced. The Council's allocations since 2016/17 are outlined in Table 3 below.

TABLE 3 PUBLIC HEALTH GRANT

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£M	£M	£M	£M	£M	£M	£M
Public Health Grant allocations	17.78	17.42	16.90	16.52	17.17	17.39	17.88

OTHER GRANTS

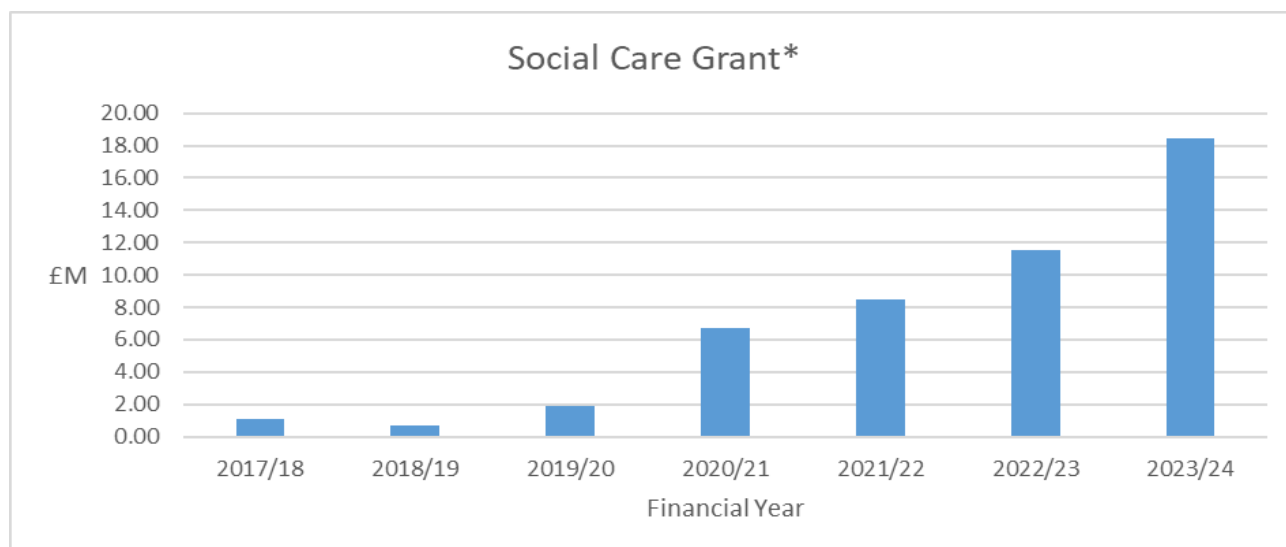
The Council receives a variety of other grants from Government. Ring-fenced grants are recorded as service income and grants which are not ring-fenced to specific services are held centrally.

In the 2022 Autumn Statement the Government announced an extra £1Bn of ring-fenced grant funding for Adult Social Care for 2023/24 (and £1.7Bn for the year after), with £600M of this being allocated through the Better Care Fund (50/50 with the NHS). Allocations to individual local authorities for 2023/24 for the new funding were notified in the Local Government Finance Settlement, with the Council receiving £1.50M of Adult Social Care Discharge Fund (£300M nationally) and £2.60M of ASC Market Sustainability and Improvement Fund (£562M nationally, including the previous £162M Fair Cost of Care Grant). The Improved Better Care Fund grant allocation for 2023/24 is £10.70M, the same as for 2022/23.

A delay to the implementation of the Adult Social Care charging reforms was also announced in the Autumn Statement, with £1.3Bn funding previously set aside being repurposed to increase the un-ringfenced Social Care Grant. The Council's Social Care Grant allocation for 2023/24 is £18.47M, an increase of £6.9M on 2022/23, including £0.4M of Independent Living Fund rolled in. For 2024/25 the MTFs assumes the Council's allocation will increase in line with the national total and it is assumed to continue at that level thereafter. As is seen from the chart below, the Social Care Grant has become an increasingly important source of funding for the Council over recent years and this is a risk area

should funds be distributed differently, reduced or discontinued.

CHART: SOCIAL CARE GRANT



* Known as Adult Social Care Support Grant in 2017/18 and 2018/19, and Social Care Support Grant in 2019/20

The Services Grant, which was new for 2022/23, has been reduced nationally to £445M, with the Council's share for 2023/24 being £2.24M. Part of the reduction is to fund the inflationary increase in RSG. The MTFs assumes that the Services Grant will continue in future years, however reducing each year in line with the uplift in RSG.

The Lower Tier Services Grant, for which the Council is receiving £0.46M in 2022/23, is being discontinued. The funding is being used to help pay for a 3% Funding Guarantee for local authorities. The Council has not been allocated any Guarantee funding as its increase in Core Spending Power is above the threshold.

The Government announced £100M of Council Tax Support funding alongside the 2023/24 provisional settlement. The Council's share of this funding is £0.50M. This will be used to discount council tax bills for local council tax support claimants by up to £25.

1.2.4 Sensitivity to funding assumptions

Table 4 below shows how much the Council's funding would change in 2024/25 if funding assumptions changed by 1%. The figures are provided for 2024/25 as funding for 2023/24 is not subject to variation, being either set in the local government finance settlement or as part of approving the budget for 2023/24.

Table 4 SENSITIVITY TO 1% CHANGE IN FUNDING ASSUMPTIONS

	£M
Core Council Tax Charge/Adult Social Care Precept increase	1.16
Council Tax Base	1.19
Business Rates Multiplier	0.66
Revenue Support Grant	0.13
Top-Up Grant	0.05
Social Care Grant	0.18

1.3 OTHER FINANCIAL ASSUMPTIONS

1.3.1 Pay Inflation

A 4% pay award has been assumed for 2023/24 and 2% thereafter. Budget provision for this is being held centrally until the pay award is settled. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated. Although the local government pay settlement is negotiated separately, pay awards for the wider public sector are likely to have a bearing, along with the current high level of general price inflation.

1.3.2 National Insurance - Employer Costs

The 1.25% increase in employee and employer National Insurance Contributions (Health and Social Care Levy) announced in September 2021 was repealed in November 2022 as part of the then Chancellor of the Exchequer's Growth Plan announced in September 2022. Budget provision for this is being released as a saving.

1.3.3 National Living Wage

The Government has adopted a policy of 'stepped' increases in the national living wage, which feeds into the council's costs in a number of areas but in particular for the costs of social care. The budget provides an allocation to address this cost pressure.

The Council has adopted the Living Wage Foundation's recommended living wage, which is currently £10.90 (set in September 2022 but to be implemented by the Council from 1 April 2023), for payment of its employees, and this rate is higher than the Government's NLW (£10.42 from April 2023).

1.3.4 General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2023. Allocations have been made to services for 2023/24 contract inflation and provision for future years' contract inflation is being held centrally. There is a risk that should inflation be at a higher rate than anticipated, our costs would rise, with many major contracts being uplifted by indexation linked to inflation on an annual basis.

The Consumer Price Index rose by 10.5% in the 12 months to December 2022, down from 10.7% in November. It is expected to reduce during 2023 and fall back down to around 3% in 2024.

Inflation assumptions are reviewed each year and a central provision exists to cover contract inflation costs but should costs rise in-year it is likely that services would be expected to absorb the difference.

1.3.5 Pension Fund - Employer Costs

Employer contributions to the Hampshire Local Government Pension Scheme (LGPS) were reviewed as part of the 2022 triennial revaluation process. The rate applicable from April 2023 to March 2026 is 16.8%, down from 18.2%, reflecting the decision to use the surplus above a funding level of 105% to lower the contribution rate over the next 3 years. No changes to the rate have been assumed following the next triennial revaluation which will take effect from April 2026.

1.3.6 Centrally Held Contingency

The Council holds a contingency budget to provide cover for potential cost pressures. For 2023/24 £5.2M is held within contingency, which includes an initial estimate of £2M for potential redundancy costs.

1.3.7 Sensitivity to Inflation Assumptions

Table 5 below shows the additional cost to the Council in 2023/24 if the pay award or general contract inflation is 1% higher than assumed in the MTFS.

Table 5 SENSITIVITY TO 1% CHANGE IN INFLATION ASSUMPTIONS

	£M
Pay Award	1.23
General Contract Inflation (excluding Social Care contracts)	0.40

1.4 BUDGET PRESSURES, SAVINGS AND EXECUTIVE COMMITMENTS

1.4.1 Previously Agreed Budget Changes

The MTFS approved by Council each year includes the impact of budget pressures, savings and Executive commitments for the 4 years of the MTFS. For example, the MTFS approved in February 2022 included budget changes for the years 2023/24 to 2025/26, as well as those for 2022/23. These previously agreed changes form part of the starting approved budget for the year (as shown in Annex 1.1(a)) before any further changes agreed in the current budget round. Table 6 summarises the previously agreed budget changes for 2023/24 to 2026/27 as approved in February 2020, 2021 and 2022. A detailed schedule of the previously agreed budget changes is provided at Annex 1.1(b).

TABLE 6 SUMMARY OF PREVIOUSLY AGREED BUDGET CHANGES

Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M
Budget Pressures				
A prosperous city	0.53	0.51	0.51	0.51
A proud and resilient city	2.74	2.64	2.59	2.59
A successful, sustainable organisation	15.20	14.79	14.79	14.79
Strong foundations for life	45.70	45.98	46.69	46.69
Centrally held budgets and funding	(8.78)	(8.78)	(8.78)	(8.78)
Total Previously Agreed Budget Pressures	55.38	55.14	55.80	55.80
Savings				
A prosperous city	(1.51)	(1.49)	(1.49)	(1.49)
A proud and resilient city	(2.04)	(2.40)	(2.47)	(2.47)
A successful, sustainable organisation	(17.48)	(17.48)	(17.48)	(17.48)
Strong foundations for life	(21.79)	(23.36)	(23.86)	(23.86)
Centrally held budgets and funding	2.94	3.21	3.21	3.21
Total Previously Agreed Savings	(39.88)	(41.52)	(42.09)	(42.09)
Executive Commitments				
A prosperous city	1.17	1.07	1.07	1.07
A proud and resilient city	1.78	1.78	1.78	1.78
A successful, sustainable organisation	0.53	0.48	0.48	0.48
Strong foundations for life	0.40	0.40	0.40	0.40
Centrally held budgets and funding	6.75	6.81	6.88	6.88
Total Previously Agreed Executive Commitments	10.63	10.54	10.60	10.60
TOTAL PREVIOUSLY AGREED BUDGET CHANGES	26.13	24.16	24.32	24.32

Numbers are rounded

1.4.2 Budget Pressures

Table 7 summarises the new budget pressures that have been included in the medium term financial forecast in Annex 1.1(a). These are mainly due to demand-led costs within social care (including previously agreed savings no longer being achievable), as well as pressures due to high energy costs, higher interest rates and other effects of the cost of living crisis. Many of these pressures are being experienced by councils nationwide.

TABLE 7 SUMMARY OF BUDGET PRESSURES

Organisational Goal	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M
A prosperous city	1.19	1.67	1.23	1.23
A proud and resilient city	3.58	3.72	3.75	3.78
A successful, sustainable organisation	3.57	3.18	2.93	3.14
Strong foundations for life	18.09	14.43	13.83	13.83
Centrally held budgets and funding	1.80	2.24	3.70	4.54
Total Budget Pressures	28.22	25.24	25.44	26.52

Numbers are rounded

1.4.3 Savings

The Council's approach continues to be on driving through efficiencies and cost reductions, together with delivering savings through income generation with a view to protecting front line services and Council priorities. Table 8 summarises the savings that have been included in the medium term financial forecast in Annex 1.1(a).

TABLE 8 SUMMARY OF SAVINGS

Organisational Goal	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M
A prosperous city	(3.03)	(1.71)	(1.71)	(1.71)
A proud and resilient city	(0.99)	(1.00)	(0.97)	(0.94)
A successful, sustainable organisation	(5.07)	(5.38)	(5.97)	(6.16)
Strong foundations for life	(2.48)	(2.98)	(2.48)	(2.48)
Centrally held budgets and funding	(10.46)	(8.11)	(8.06)	(7.98)
Total Savings	(22.03)	(19.17)	(19.19)	(19.27)

Numbers are rounded

Some of the proposed savings relating to 2024/25 onwards are subject to further consultation.

1.5 BALANCES AND EARMARKED RESERVES

The minimum level of General Fund balances is reviewed and risk assessed on an annual basis. The Executive Director for Finance, Commercialisation & S151 Officer recommends that the minimum level of General Fund Balances should be maintained at £10.1M. This balance provides mitigation against any unforeseeable events the Council may face, as well as potential overspends in demand led areas such as social care and safeguarding for both adults and children.

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

The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risks around Government funding and other income streams of the Council, the subsequent budget shortfalls that the Council would then face and overall local and national economic factors which can affect the financial stability of the Council. The cost of living crisis, including energy costs, has increased the level of risk faced by the Council, both in the cost pressures faced and the economic impact on income streams.

Reserves totalled £96.19M at the end of 2021/22, which included revenue grants carried forward totalling £20.93M predominantly relating to COVID-19 which are expected to be used in 2022/23. By the end of 2022/23 the forecast balance on reserves ((excluding schools' balances) is £42.61M. Annex 1.1(d) shows the forecast future position for reserves following review of their use and identification of what is available. The proposed budget strategy involves using a significant proportion of the available reserves to meet budget pressures in 2023/24. This severely reduces the amount available to provide cover for financial risks or to help with other costs in future years. Table 9 below shows the planned use of corporate reserves within the MTFS.

TABLE 9 FORECAST USE OF CORPORATE EARMARKED RESERVES

	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M
MTFS as at February 2022	0.00	0.00	0.00	0.00
Net use of Medium Term Financial Risk Reserve (MTFR) to balance 2023/24 budget	(20.39)			
Replenishment of MTFR Reserve		2.00	2.00	2.00
Initial estimate of call on MTFR Reserve to meet potential redundancy costs	(2.00)	(2.00)		
Use of Portfolio Carry Forward Reserve	(1.34)			
Sub-Total: New net use of reserves (excluding Collection Fund timing differences)	(23.73)	0.00	2.00	2.00
Government grant for additional 2022/23 business rates reliefs carried forward	(1.32)			
Repayment of over-estimate of Government grant for 2021/22 business rates reliefs	4.43			
Sub-Total: New net use of reserves for Collection Fund timing differences	3.12	0.00	0.00	0.00
MTFS as at February 2023	(20.62)	0.00	2.00	2.00

Numbers are rounded

Reserve use and retention is an important part of the medium term financial strategy. After applying a significant proportion of the available reserves to balance the 2023/24 budget and providing cover for potential redundancy costs, it is estimated there will only be £10.31M uncommitted within the MTFR Reserve at the end of 2023/24. This is considered inadequate to provide cover for risks and other potential calls on the reserve and a contribution of £2M a year from 2024/25 onwards has been assumed within the MTFS to help replenish the reserve. Table 10 below shows the forecast General Fund earmarked reserves (excluding schools' balances) at the end of each financial year of the MTFS. See paragraphs 20 to 45 of the main report on reserves in the context of the S151 view of their adequacy.

TABLE 10 GENERAL FUND EARMARKED RESERVES

	2022/23	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M	£M
Total earmarked reserves (excluding schools' balances)	42.61	20.65	20.70	22.73	25.72

The forecast balance at the end of 2022/23 includes a net shortfall of £3.12M as shown in Table 9 above for government grants relating to timing differences between accounting for grant income and the corresponding Collection Fund surplus/deficit balance in the General Fund. Excluding this net deficit due to timing differences, the non-school earmarked revenue reserves are forecast to be £45.73M at 31 March 2023.

The earmarked reserves forecast excludes a £10.24M forecast deficit balance relating to a cumulative overspend against the Dedicated Schools Grant, which in accordance with regulations is being held in a separate account so as to have no impact on the General Fund and non-school services the council provides. The regulations initially applied until March 2023, however have recently been extend to the end of 2025/26, so if the DSG position does not improve within that time period or if the period to which the regulations apply is not extended further, the £10.24M deficit will fall to be included within General Fund earmarked reserves from 2026/27.

The level of reserves will continue to be kept under review as part of the budget setting and final accounts process.

1.6 FORECAST FINANCIAL POSITION 2023/24 – 2026/27

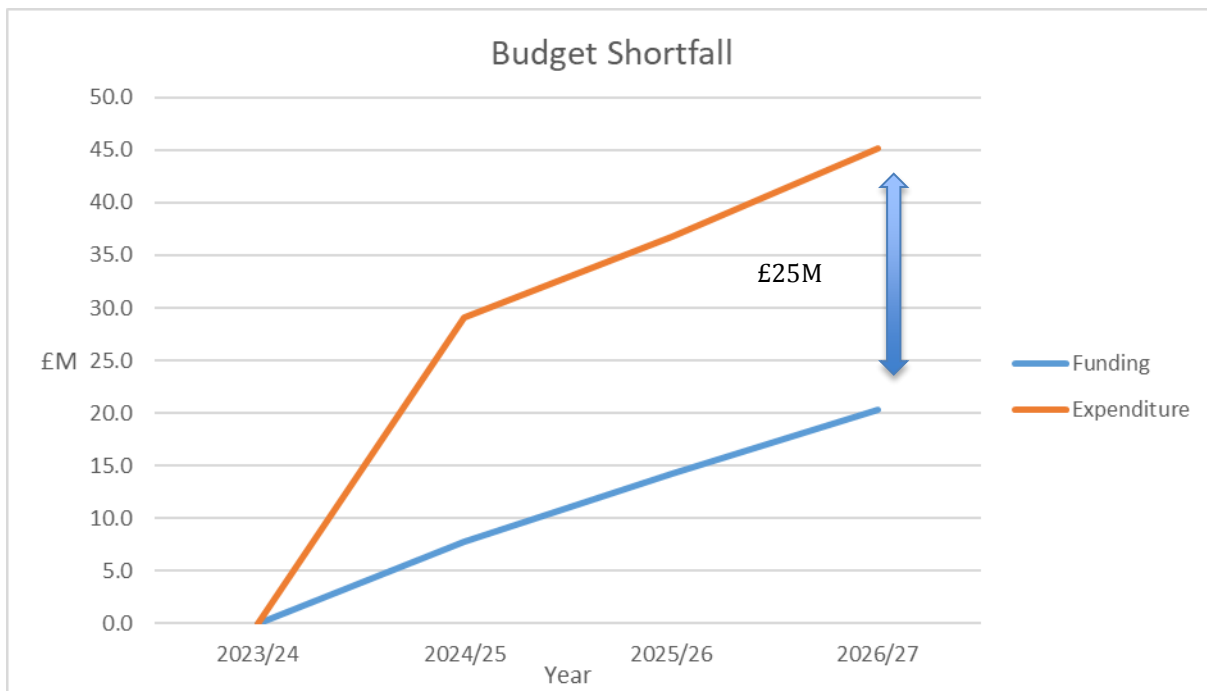
The Council's current forecast financial position is detailed below and includes the implications of the local government finance settlement. It will be reviewed each year of budget setting to reflect any new pressures, changes in funding assumptions and any revision to the Council's Corporate Plan.

Where possible factors described in Section 2 have been built into the financial modelling to ascertain the forecast financial position. The graph below demonstrates the budget shortfall to 2026/27 as at February 2023.

Table 11 below shows the current overall position, with a summary by organisational goal being included in Annex 1.1(a) to the MTFs and detail by service activity in Annex 1.1(c). This shows the Council is required to achieve annual savings of around £21M from 2024/25, rising to £25M by 2026/27. Reserves are being used on a one-off basis to balance the budget in 2023/24, however there is a significant budget shortfall to address over the medium term and no uncommitted reserves available to help with this. Cost pressures, particularly within demand-led services, that were already being faced by the Council have been exacerbated by high levels of inflation, increased pay costs and high energy prices. The MTFs already includes additional funding for 2024/25 announced in the November 2022 Autumn Statement, so there is no expectation of further new government funding in that or later years.

TABLE 11 FORECAST BUDGET SHORTFALL

	2023/24	2024/25	2025/26	2026/27
	£M	£M	£M	£M
Net Expenditure	221.45	250.50	258.26	266.58
Funding	(221.45)	(229.28)	(235.70)	(241.79)
Forecast Budget Shortfall	0.00	21.22	22.56	24.79



For 2024/25 onwards, the medium term forecast does not include anything for government reward for housing growth and council tax is only assumed to increase by 1.99% a year. If either of these assumptions is more favourable than anticipated this would reduce the budget shortfall. Conversely, there are numerous downside risks to the medium term forecast as set out in section 1.9.

Corporate reserves are being depleted to meet the forecast 2022/23 in-year deficit and balance the budget in 2023/24, therefore there are no available reserves to help offset budget shortfalls in future years.

1.7 CAPITAL PROGRAMME

Planned capital expenditure and the associated financing is detailed within the budget report for approval by Council in February 2023. The programme has been reviewed and reprofiled in light of the economic environment (increasing inflation and interest rates) and changing priorities. The proposed Capital Programme for 2022/23 to 2027/28 totals £659.55M and includes £367.41M for the General Fund and £292.24M for the HRA. The General Fund Capital Programme includes the following major commitments:

- £10.2M for flood alleviation schemes
- £193.8M for highways and transport schemes
- £68.7M for schools and other education projects
- £30.0M for Outdoor Leisure improvements

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

1.8 HOUSING REVENUE ACCOUNT

The national self-financing regime for the Housing Revenue Account (HRA) was introduced in April 2012. A 40 year HRA Business Plan, covering both capital and revenue expenditure projections, has been prepared using the planning principles agreed by Council in November 2011 and amended by subsequent budget reports.

The main points to note are:

- The capital budget proposals for 2023/24 have been maintained within the existing budget framework, to maintain affordability within the context of increasing borrowing costs and rental caps. The Council's stated priority for new building is to work in partnership with other Registered Providers. However, in-house delivery of new homes has been committed to plots 2, 9, and 10 Townhill Park, and this is reflected in capital spending proposals.
- The capital spending plans include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure on fire safety in the early years.
- A provision of £1.92 Bn (including inflation adjustment) is set aside for existing stock investment, that may be required over the next 40 years.
- The revenue budget meets the minimum balances of £2M over the life of the Plan, however, It is recommended in the report that the minimum balance be reviewed In light of increased inflationary risk.

The Welfare Reform & Work Bill 2015/16 imposed a 1% per annum reduction in rents charged to tenants for a 4 year period from 2016/17 to 2019/20. This period has ended, and rents increased in line with prevailing inflation data in 2020/21 and 2021/22. The Council agreed to freeze rent for 2022/23. The rental increases are still limited by national Government policy and are currently calculated using the Consumer Price Index inflation plus 1% for the next two years, subject to a 7% rent cap announced in the November 2022 Autumn Statement for 2023/24. The budget proposals recommend an inflationary Increase of 9% in service charges for 2023/24.

1.9 KEY RISKS

There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFs.

These risks are reflected in a 'Key Financial Risks' document which identifies the key financial risks to the Council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned, which is reviewed on a quarterly basis as part of financial monitoring. These financial risks are reflected in the assessment of the adequacy of estimates and reserves.

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

- Changes in the economy
- Unmanaged service pressures and increases in demand
- Level of future pay awards and general inflation assumptions
- Impact of National Living Wage
- Non achievement of savings
- Projected income levels from fees & charges
- The lack of certainty in Government funding for future years including grants and reforms to the local government finance system
- Changes in function
- Changes in how services are funded
- Council tax policy;
- Business rates volatility, more frequent business rates revaluations and changes to the Business Rates Retention scheme, including the resetting of baselines for measuring growth
- Changes in legislation and government policy
- Adequacy of contingencies and reserves in any one period
- Treasury Management and interest rate changes
- Level of provision for insurances

- Ad hoc or unforeseen events/emergencies
- Social care reforms
- New unfunded burdens
- Welfare reforms
- Provider failure
- Demographic changes
- Impact of exiting the European Union
- The legacy impact of the COVID-19 pandemic
- Ending of the statutory override for the Dedicated Schools Grant deficit in 2025/26

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

1. **Financial** – the majority of the future years’ forecast and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
2. **Political** – The 2022 Autumn Statement covered financial years 2023/24 and 2024/25, however the local government finance settlement is only for 1 year. Changes to the local government finance system have been deferred until at least the next parliament and adult social care charging reforms have been delayed for 2 years. The impact of any positive or negative change to our future funding as a result of any such changes and sufficiency of funding for the adult social care reforms will need to be considered in due course.
3. **Treasury** – the MTFS is based on a reasonably stable global financial position going forward. If the assumptions change it may have a major impact on the financial position of the Council particularly around business rate income, and interest payments.
4. **Internal Change** – Service transformation will be required to address the budget shortfall over the medium term. Inevitably, such changes have associated risks.

1.10 MANAGING BUDGETS AND FORECASTING

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and actively managed so that their impact is minimised or can be contained within Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a quarterly basis.

CIPFA has introduced a Financial Management Code, applicable from April 2021. The Code sets out the broad principles it requires for sound financial management and expects authorities to measure their own processes against the principles it sets out. The Council will continue to review processes to ensure consistency with the good practice the Code expects. The FM Code principles are set out in Annex 1.1(f).

SECTION 2. Context

2.1 STRATEGIC CONTEXT

There are a number of strategies, policies and plans which impact on the direction of the Council and the day to day operations therefore impacting on the MTFS.

2.1.1 Southampton City Council Corporate Plan 2022-2030

The MTFS is framed by the council's corporate plan which sets out our direction for the next eight years and shows how the council will play its part in fulfilling Southampton's huge potential. The plan commits to creating a place where people want to live, work, study, visit and enjoy. This will be achieved through continuing to work with partners across the city and using evidence and experience to make intelligent decisions. The plan outlines four goals and the things both the council and others in the city are doing to achieve them. There is a strong recognition of the importance of the work of other organisations the council works with in delivering a city of opportunity. The four goals set out in the plan are:



The plan will be reviewed and updated after two years and monitored through cabinet member briefings. It will be delivered through implementation plans through service business plans, strategies and where appropriate, specific project plans.

2.1.2 Southampton City Strategy 2015-2025

The City Strategy 2015-2025 continues to drive a vision of creating a city of opportunity where everyone thrives alongside a goal of prosperity for all. The strategy was developed in partnership with representatives from business, the public, voluntary and education sectors and the City Council. The City Strategy identifies three key priorities:

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

2.1.3 Other Major Strategies

CUSTOMER ACCESS STRATEGY 2021-2026

The Council's customer vision is:

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

The Customer Access Strategy sets out access principles and strategic approaches to contact channels in addition to three core customer service aims, all these and high level actions aim to achieve the council's customer vision. The three core customer service aims are:

- Keep the customer central;
- Aim to resolve things in one contact; and
- Always be clear about expectations and keep customers in the loop.

IT STRATEGY 2021-2025

The IT Strategy 2021-2025 describes the planned approach and activities that the IT Service will develop and deliver to support meeting the ambitions and objectives set out for Southampton City Council in the 2020-2025 Corporate Plan.

The IT Strategy sets out the following principles that will be applied when delivering the IT Strategy:

- That the services provided by IT will support a digital first culture and acting as an enabler so that services can confidently build digital capability into their service plans;
- To adopt an agile mindset and agile practices to ensure rapid continual development. To continue to move away from legacy IT systems and projects approaches;
- To continue to move towards a modern IT Infrastructure that supports customer focussed digital services. The most appropriate technologies will be adopted to meet business need with an increasing use of cloud and software as a service (SaaS) products; and
- To be forward thinking and sector leading as an authority in the creation of digital services and use of IT and technology for delivering innovative and ground-breaking services.

PEOPLE STRATEGY

The People Strategy sets out the aim of creating an organisation where people can be the best of themselves, grow and do their finest work, making Southampton a city of opportunity. The priority outcomes delivered by the People Strategy will be:

- We get the right people in;
- We have the right people as managers;
- Employees are paid, rewarded and recognised in the best ways;
- People are kept engaged and always improve;
- All employees add value and take ownership.

2.1.4 Key Financial Strategies

CAPITAL STRATEGY

The Capital Strategy provides an overview of the Council's Capital Programme, Treasury Strategy, Investment Strategy, and Minimum Revenue Provision (MRP) Strategy. The strategy details the priorities of the Council in terms of capital expenditure and a framework for the Council's capital plans to be agreed and implemented.

The Capital Programme sets out the capital plans for the next five years, taking account of any capital investment required to deliver priorities.

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

This sets out the Council's strategy for using capital receipts to fund transformation expenditure. It is a requirement to have and maintain this strategy in order to make use of this flexibility to finance revenue costs from capital resources.

TREASURY MANAGEMENT STRATEGY

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

INVESTMENT STRATEGY

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

BORROWING STRATEGY

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

2.2 POLICIES, PLANS AND OTHER FACTORS

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

2.2.1 Demographics

The most recent data available for the population of Southampton is the 2021 ONS Census. This puts the total people resident in Southampton at 248,922. This is an increase of 5.1% from the last census in 2011. Southampton's population is predicted to rise to 270,800 people in 2043.

Some key headlines from the 2021 Census show that:

- Southampton has 102,291 households, of which 33,711 are one person households (increasing by +1.4% since 2011). Lone parent households have increased from 10.2% of households in 2011 to 11.0% in 2021.
- The population aged under 5 years of age decreased by 10.5% and the population aged 5 to 14 increased by 20.9% compared to 2011. Additionally, the number of people aged 65 to 84 increased by 13.7% and people aged 85 and over decreased by 2% compared to the 2011 Census data.
- Around 1 in 4 Southampton residents (60,099) were born outside the UK (compared to 1 in 6 nationally). This is an increase of 44.3% from 2011, reflecting how much Southampton attracts people from elsewhere, such as students and migrant workers.
- Over half (52.8%) of the 60,099 residents in Southampton who were born outside the UK, arrived in the city over the last decade (since 2011). The majority were of working age when arriving in the UK, with the greatest proportions aged between 25 to 44 years (39.1%) and 18 to 24 years (28.7%).
- About 6 out of 7 people (aged 3+) in Southampton (84.6%) have English as their main language, which is slightly lower than in the last Census (88.2%). For just over 37,000 residents (15.4%), English is not their main language. Of these, 5,398 (14.6%) cannot speak English well and 761 cannot speak English at all. The most commonly spoken languages in Southampton (other than English) are Polish (4.3%), Romanian (1.3%) and Chinese (0.9%).
- Southampton is getting more culturally diverse, with 68.1% of residents coming from a White British background, a decrease of 7.9% since Census 2011.
- Among the city's population, 43.4% report having no religion, 40.1% report to be Christian and 5.6% report to be Muslim.
- There are 6,361 UK veterans in the city (4,770 UK armed forces veterans, 1,346 UK reserve armed forces and 245 veterans serving in both).

Population forecasts for Southampton and nationally show that more people are living longer and as a consequence average life expectancy is increasing. The fastest growing sector of the population is that aged 75 to 79 years. Forecasts predict the 75 to 79 years age group will rise by 30.5% between 2019 and 2026, whilst the number of people aged 75 and over is forecast to rise by 22.5% over the same period. Longer term projections, based on past trends, predict a 43.4% increase in over 65s in Southampton between 2016 and 2041.

2.2.2 National and Local Policy

COST OF LIVING

Since late 2021, there has been a decline in 'real' income (adjusted for inflation) experienced in the UK which is referred to as the 'cost of living crisis'. A sharp increase in inflation has been the primary driver for this (increasing from 2% in July 2021 to 10.5% in December 2022 and a peak of 11.1% in October 2022), accompanied by wage growth which has not kept pace with inflation. Tax increases have also exacerbated the issue. Rising energy and fuel costs, the war in Ukraine, Brexit and the COVID-19 pandemic are some of the main factors that are attributed to increasing inflation and living costs.

Although the cost of living affects all residents, it is expected that more deprived households are experiencing poorer outcomes. Southampton City Council recognises that lower income households are also impacted by other associated challenges such as poor access to transport, variations in food prices across the city, community centres struggling to meet costs of increased bills, reduced charitable giving and increased volunteer costs. A Cost of Living Operational Group is coordinating activity across the council and ensuring those most in need are targeted with messaging around available support. National government has provided cost of living payments to all households and additional funds to those most in need as well as pensioners and those in receipt of disability benefits. While the wholesale price of energy is forecast to fall in the second quarter of 2023 which could ease energy prices and in turn inflation, there are recessionary pressures which could result in households experiencing cost of living pressures. This will continue to impact on residents and the support the council provides. This includes debt management advice, warm spaces in libraries and other public areas, support for families through schools and children's centres and the distribution of support through the Household Support Fund. This activity will adapt to the need within the city which will continue to be monitored as the challenges facing residents evolve.

HOMES FOR UKRAINE

Following Russia's invasion of Ukraine on 24 February 2022, the UK Government launched the Homes for Ukraine Scheme. This launched on 14 March 2022 with UK households encouraged to sponsor Ukrainian guests to be hosted in their homes initially for six months with guests granted a three-year visa. Hosts receive a monthly payment while hosting Ukrainian guests. The scheme provided local authorities with funding for each Ukrainian guest and were required to set up systems at pace to support arriving guests and hosts resident in their area. In January 2023 Southampton had 89 households supporting 180 guests who started to arrive in March 2022. 16 guests have returned to Ukraine, 28 have moved into private accommodation and 10 into temporary accommodation. Over 100,000 Ukrainian guests have arrived in the UK since the scheme was launched.

On 14 December 2022 the government announced measures to update the Homes for Ukraine Scheme. Thank-you payments of £350 to hosts have been increased to £500 from January 2023 and extended for up to two years as some hosts have faced cost of living pressures and other pressures around hosting beyond six months. Local authorities have been allocated funding for 2023/24 to support guests at a reduced per guest amount. The government also launched a £500 million Local Authority Housing Fund, which will provide capital funding directly to English councils in areas that are facing the most significant housing pressures as a result of recent Ukrainian arrivals to acquire housing stock and reduce homelessness. Local authorities have been allocated £150 million to support Ukrainian guests to move into their own homes. There will continue to be a need within the city to support Ukrainian guests already in the city and new arrivals including through housing support, school places and support services needed.

ADULT SOCIAL CARE REFORM

On 7 September 2021, the Government set out plans to reform adult social care in England in the white paper “Building Back Better: Our Plan for Health and Social Care”. It said that £5.4 billion would be used to fund the reforms between 2022/23 and 2024/25:

- £3.6 billion would be used to reform how people pay for social care (charging reforms). This included £1.4 billion to help local authorities move towards paying a “fair cost of care” to providers.
- £1.7 billion would be used to support wider system reform.

The Government originally proposed that the adult social care charging reforms would be implemented from October 2023. However, at the Autumn Statement 2022, delivered on 17 November 2022, the Chancellor announced that the reforms would be delayed for two years, with the funding allocated “to allow local authorities to provide more care packages.” Under the now-delayed reforms, the Government plans to introduce a new £86,000 cap on the amount anyone in England will have to spend on their personal care over their lifetime. The cap will apply irrespective of a person’s age or income. The legislative framework for a cap is already provided by the Care Act 2014, but the relevant provisions are not currently in force.

The Health and Care Act 2022 received Royal Assent in April 2022. It aims to make it easier for health and care organisations to deliver joined up care for people who rely on multiple different services. Implementation will take place over different timescales with requirements on local authorities.

LEVELLING UP FUNDING

On 11 May 2022, the government introduced the Levelling Up and Regeneration Bill to parliament. The Bill builds on commitments set out in the Levelling Up White Paper 'Levelling Up the United Kingdom'. The Bill will have wide ranging implications for local government particularly in planning reform and devolution. The £4.8 billion Levelling Up Fund opened for a second round of applications with £1.7 billion being allocated in the first round. Decisions on the second round were made in January 2023 with £2.1 billion being allocated nationally. The Council was successful in securing £20 million of funding to upgrade and provide new facilities at the Outdoor Sports Centre.

LEGACY OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has continued to have an impact on the city as businesses recover from the pandemic and demand remains high for Adults and Children's Services. There also continues to be an impact on educational attainment and mental health services. A further campaign to encourage the take up of COVID-19 booster vaccinations in 2022 has taken place with concerns also for increasing spread of other transmissible viruses such as influenza. The impact of staff absences and the knock-on effect on service delivery remains a concern with contingency plans in place.

2.2.3 Socio-Economic Factors

Southampton is ranked 55th on the overall Index of Multiple Deprivation (IMD) 2019 out of the 317 Local Authorities in England (1 equals the most deprived). Previously for IMD 2015 Southampton ranked 54th so has become relatively less deprived. 7 out of 16 wards have some areas which are within the 10% most deprived areas in the country. The IMD focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. The IMD from 2019 is the most recent to be published and is largely based on data from 2015/16.

However, in addition in terms of economic growth in the 2019 Good Growth for Cities index, Southampton and its environs was ranked the 3rd highest city. The index takes into account jobs, income, health, work-life balance, new businesses, housing, transport, skills, environment and income distribution.

LOOKED AFTER CHILDREN

From 2010 to 2015, the rates of referrals of children and young people to Children's Social Services continued to increase year on year. However, as can be seen from the table below, from 2015 onwards, there has been a downward trend in the rate per 10,000 (0-17) children from 1,322.2 in 2015 to 790 in 2021 and 702.6 in 2022 (1st April 2022). Although there was an increase in the rate per 10,000 children in 2020 we have seen a decrease in 2021 to 790/10k and to 702.6 in 2022. We are higher than the national average but 2021 and 2022 performance has seen us move closer to Statistical Neighbour Average activity of 638/10k.

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

Year	Southampton CC	National Averages
2015	1322.2	548.3
2016	839.1	532.2
2017	610.9	548.2
2018	519.4	552.5
2019	511.1	544.5
2020	943.9	534.8
2021	790	494
2022	702.6	537.7

Over the period from 2010 to 2015, the rate of Looked After Children (per 10,000 children aged under 18) increased by 42.9% in Southampton compared to a 5.3% increase nationally (England average).

Although Southampton's rate is still higher than the national average, it has from 2016 onwards, seen annual decreases in the rate, marginally increased in 2021 to 96/10k and an increase to 114 in 2022. Statistical Neighbours performance in 2022 was 100.6 /10k.

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

Area	2015	2016	2017	2018	2019	2020	2021	2022
Southampton CC	120	120	108	104	95	95	96	114
National Averages	60	60	62	64	65	67	67	70

In the year ending March 2022, the council carried out 338 Section 47 enquiries for every 10,000 children, an increase from 2021 of 320 compared with 180 per 10,000 nationally and 248/10k for Statistical Neighbours. The city had a rate per 10,000 children of 121.8 subject to an initial child protection conference in 2022, compared with 103 in 2021 an average of 61 per 10,000 in England and 82.52 per 10k for our Statistical Neighbours in 2022.

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

With regards to Children Looked After (CLA) numbers, we had 561 CLA as at March 31st 2021 compared to 497 on 31st

March 2022, an Increase of 64 CLA from 2021. Statistical Neighbours had an average of 640.5 CLA at the same period.

The number of children in care has, from December 2016 onwards, remained under 600 and from July 2018 under 530, however as we have come out of lockdown, post pandemic, we have seen the numbers of children coming into care increase, the current figure on 1 January 2023 was 542. The percentage CLA in fostering placements made with independent fostering agencies, (IFA) as at 9 January 2023 was approx. 30% (165 placements), down by 2 placements compared to December 2021.

The cost of an IFA is, on average two to three times more expensive than an internal placement. This has created and continues to create a significant pressure on the Children Services budget.

We are continuing to review our contracts with IFAs to negotiate cost reductions as well as also increasing the numbers of 'in-house' foster carers through targeted recruitment, providing more options for in-house placements where appropriate.

In-house foster carers (Source: Foster carer manager manual data and LAIT)

	2019/20	2020/21	2021/22
Number of foster carers at end of financial year	163	157	142
Number of approved foster places	355	340	335
Number of filled foster places	230	230	235

2.2.4 Physical-environmental factors

HOUSING

In Southampton 25% of residents live in privately rented accommodation, which is higher than the average for comparator cities at 18% and the England average of 17%. There are around 6,500 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 16,381 managed by the council with 7,618 households on its housing waiting list. In the last 12 months, there has been a drop in the number of decent homes from 58.5% to 51.5% of the housing stock. The reduction of 7% is largely due to sector-wide restrictions in the supply chain and labour market affecting the delivery of a number of planned works project lines. A recovery programme is underway to improve the delivery of planned works projects, this includes procurement and improved funding flexibility.

The most up to date housing target for Southampton has been calculated during preparation of the Council's new Local Plan, 'Southampton City Vision'. The target is set out in the Draft Plan with Options which is available to view here: [Southampton City Vision - documents library](#). Following the Government's standard methodology and applying the 35% uplift, as required for the top 20 cities and urban centres, the target for Southampton is to deliver approximately 26,500 new homes between 2022 and 2040. The Council recognises that the number of new affordable homes available needs to be increased, and will be coming forward with proposals to address this in partnership with Housing Associations across the city.

2.2.5 Wider Partnership Working

BETTER CARE FUND

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

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

The Southampton Better Care Plan has identified key areas where greater integration between Health and Social Care will make system wide efficiencies that will benefit both organisations. For the Council these efficiencies have been included within the medium-term financial forecast. In 2023/24 the provisional combined Better Care Fund budget is £145.3M, comprising £91.0M for the ICB and £54.3M for the Council.

2.2.6 Strategic Contracts

The Council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitments. These include PFI contracts for schools and street lighting, a highways services partnership and a long term waste disposal contract. Whilst these contracts are actively monitored and performance managed to ensure they deliver value for money, it can be lengthy and more difficult to renegotiate these contracts to reduce expenditure and the Council has already realised savings in previous financial years. The financial health of these major contractors is kept under review as part of the monitoring arrangements. Many of these major contracts expire in the years 2025/26 and the approach to future delivery and models are being formed as part of the Strategic Procurement Programme.

2.3 NATIONAL ECONOMIC AND PUBLIC EXPENDITURE PLANS

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

2.3.1 Autumn Statement 2022

The government published the Autumn Statement 2022 on 17 November 2022, setting out spending plans for the 2-year period 2023/24 to 2024/25 and guidelines for the medium term. The Chancellor said the Government would "deliver a plan to tackle the cost-of-living crisis and rebuild our economy" with priorities of "stability, growth, and public services". The Autumn Statement reversed nearly all the measures that had been announced by the previous Chancellor in the September 2022 Growth Plan. The key points relevant to local government were as follows:

Spend and Additional Funding

- Adult Social Care: Additional grant funding of £1 billion next year and £1.7 billion the year after.
- £600 million in 2023/24 and £1 billion in 2024/25 will be allocated through the Better Care Fund. The remaining £400 million in 2023/24 and £680 million in 2024/25 will be allocated to local authorities through a ringfenced adult social care grant which will also help to support discharge.
- The implementation of the Dilnot Adult Social Care reforms has been delayed for 2 years. Funding set aside for these reforms in 2023/24 and 2024/25 will be paid to local authorities (£1.3 billion in 2023/24 and £1.9 billion in 2024/25).
- NHS budget to be increased for the next two years by £3.3 billion in each year.
- The Government will implement a skills reform programme. This will be coupled with an increase of the school's budget with an additional £2.3 billion to be invested per annum for the next two years.
- There will be no cuts to the funding allocations announced in the Spending Review 2021. Growth in spending from 2025/26 will increase at 1% per year.
- Departmental budgets have been adjusted to remove compensation for the Health and Social Care Levy (no longer going ahead from April 2023).
- Councils will be given the power to increase core council tax by up to 3% without the need for a local referendum. Local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year (a combined maximum increase of up to 5% per annum).
- £1 billion investment to continue the Household Support Fund for an extra year.
- Government had been consulting on a rent cap for housing. The Statement set this cap at 7% for 2023/24.

Policies directly effecting residents

- Cost of Living payments will be continued in 2023. £900 in means tested benefits, £300 to pensioner households and £150 to households on disability benefit.
- Government is set to review state pension age in 2023.
- The state pension triple lock has been protected. State pensions will increase in line with inflation.
- Benefits will rise in line with inflation next year (10.1%).
- Social Housing Rent increase will be capped at 7% in 2023/24. Saving £200 on average per tenant next year.
- An increased National Living Wage from the current level of £9.50 an hour for over-23s to £10.42 an hour. This equates to a £1600 annual pay rise.
- Support for energy bills will remain in place but become less generous from April 2023. From April, the relief will be continued with a higher level of £3000 per year per average household.
- The Energy Bill relief scheme (EBRS) for businesses is to be scaled down from March 2023.

Business rates

- Business rates multiplier. The multiplier will be frozen in 2023/24. Local authorities “will be fully compensated for the loss of income as a result of these business rates measures”. The Statement was silent on whether cap compensation would be payable based on the Retail Price Index (RPI) or the Consumer Price Index (CPI).
- Business rates reliefs. Extension of Retail, Hospitality and Leisure (RHL) reliefs into 2023/24, plus a Supporting Small Business Scheme (SSBS).
- A transitional relief scheme to support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation.

Future Developments for Local Authorities

- Change in approach of investment zones to focus on universities in left behind areas. Submitted "Expressions of Interest" by local authorities not to be taken forward.
- Levelling up: Round 2 confirmed, at least matching the spend of round 1.
- New devolution deal for mayors to Suffolk, Norfolk and the Northeast.

2.3.2 Local Government Finance Policy Statement 2023/24 to 2024/25

On 12 December 2022 the Government published a 2-year Policy Statement outlining the principles that would be applied in the 2023/24 provisional local government finance settlement and the core principles to be applied in the 2024/25 settlement. The main features of the settlement principles relevant to Southampton City Council are:

- “Core” Band D council tax - 2.99% maximum increase for 2023/24 and the same for 2024/25.
- Adult social care (ASC) precept - 2% maximum increase in 2023/24 and again in 2024/25, with no option for deferring any increase from 2023/24 into 2024/25.
- Baseline Funding Level (BFL) and Revenue Support Grant (RSG) - local authorities’ BFL allocations will be uplifted by the implied inflation within the business rates multiplier, with the remainder of the compensation for capping the multiplier coming through S31 grant. RSG allocations will be uplifted in line with the Consumer Price Index in 2023/24 and 2024/25.
- Business rates cap compensation - from 2023/24 onwards, cap compensation will be paid based on CPI rather than RPI (CPI tends to be a lower increase than RPI).
- Adult social care (ASC) grants - funding for the ASC charging reforms will be re-purposed to fund ongoing pressures (£1.265 billion in 2023/24, and £1.877 billion in 2024/25). There will be further funding distributed through the Better Care Fund (local government’s 50% share is £300 million in 2023/24 and £500 million in 2024/25). A new “ringfenced” grant “to support capacity and discharges” will be paid to local government (£400 million in 2023/24 and £683 million in 2024/25).
- Social care grant distribution - the repurposed ASC reform funding will be distributed based on the Adult Relative Needs Formula (RNF) and full equalisation of the ASC precept (i.e. grant distribution will allow for the varying ability of authorities to raise additional council tax through the precept). Other new ASC grants will also use the Adult RNF (but there is no requirement for any further precept equalisation in these grants). The

continuing Fair Cost of Care grant (£162 million) will use a new distribution formula “to reflect progress” on these reforms.

- 3% Funding Guarantee - this is a new feature to ensure every authority has a 3% increase in government funding in 2023/24 (change in Core Spending Power excluding Band D). It will be funded from “a proportion of” New Homes Bonus legacy payments and re-purposing of the current Lower Tier Services Grant. This is most likely to benefit District Councils, who will not have the funding from ASC grants.
- Services Grant – This funding was first introduced in 2021/22 and will continue to operate in the same way in 2023/24 (with £200 million top-sliced from the Services Grant to claw-back funding for the National Insurance Contributions increase that was reversed).
- New Homes Bonus (NHB) – This scheme had been expected to cease, however it will continue in 2023/24 and funding will be paid on the same basis as in 2022/23. The legacy payments (i.e. payments for past years' housing growth), will end in 2022/23 and instead will be used to fund the new 3% funding guarantee. Ministers have promised to issue a new consultation on NHB before the 2024/25 settlement.
- No changes to the local government finance system during the life of this parliament.

2.3.3 Provisional Local Government Finance Settlement 2023/24

The 2023/24 provisional settlement was announced on 19 December 2022, providing details of how resources announced in the Autumn Statement 2022 have been allocated for 2023/24. The key principles that were set out in the Policy Statement remain unchanged in the settlement announcement. Although the Policy Statement covers a 2 year period, the finance settlement is for 1 year only and does not provide allocations for 2024/25. Other headlines from the settlement are as follows:

- Core Spending Power – assuming authorities increase their Band D council tax by the maximum allowed, CSP will increase by 9.2% on average in 2023/24.
- Council tax - 2.99% maximum increase in the “core” council tax for 2023/24 and a 2% adult social care (ASC) precept.
- Business rates – the freezing of the business rates multiplier (which determines the gross business rates charge), announced in the Autumn Statement is fully funded with compensation to authorities based on a lower CPI uplift rather than the RPI.
- Although the multiplier is frozen in cash terms (it remains at 49.9p), the multiplier contains a reduction to reflect increases in rateable values in the 2023 Revaluation and an offsetting uplift for inflation (3.74%).
- Revenue Support Grant (RSG) - allocations have been uplifted in line with the Consumer Price Index (10.1%). Three specific grants totalling £78 million nationally have been rolled into RSG: Local Council Tax Support Administration Grant, Family Annex Council Tax Discount Grant and Food Safety Enforcement Grant.
- Social Care Grant – An additional £1,185 million has been allocated based on the Adult Relative Needs Formula (RNF) and £160 million has been allocated to partly equalise for the ASC precept (i.e. to partly allow for the varying ability of authorities to raise additional council tax through the precept because of the size of their tax base).
- Independent Living Fund grant (£161 million) has now been included as part of the Social Care Grant.
- Adult Social Care grants – two new grants have been announced as part of the settlement: £300 million Adult Social Care Discharge Fund (referred to in the Autumn Statement as going into the Better Care Fund) and £562 million ASC Market Sustainability and Improvement Fund, which combines the £400 million announced in the Autumn Statement “to support capacity and discharges” with the £162 million Fair Cost of Care funding being continued from 2022/23. These grants are ring-fenced and must be pooled with local health boards.
- Services Grant – This has reduced by £358 million from £822 million in 2022/23 to £464 million in 2023/24. A reduction of around £200 million had been anticipated for claw-back of funding for the employers National Insurance Contributions increase that was recently reversed and for some applied to a Supporting Families Grant (£40 million). The remainder is being used towards the RSG increase and to fund a contingency provision.
- New Homes Bonus (NHB) – this will continue for at least one more year, but with no legacy payments i.e. payments will not continue rewarding previous years' growth in housing numbers.
- 3% Funding Guarantee – a new £136 million grant has been created to ensure every authority has an increase in Core Spending Power of at least 3% (before council tax). It is being funded from New Homes Bonus legacy payments and re-purposing of the Lower Tier Services Grant. This mainly benefits councils with no social care responsibilities.
- Council Tax Support – alongside the provisional settlement the Government announced a £100M of additional funding for councils to provide additional support to households already receiving council tax support. Details of how this will be allocated are not yet available.

- The provisional settlement was subject to a consultation period which ended on 16 January 2023. The final settlement was announced on 8 February 2023, largely confirming the allocations made in the provisional settlement.
- Public Health Grant allocations were not made available alongside the provisional settlement and are expected to be announced in mid-February 2023.

For Southampton the impact of the settlement in terms of grant funding is included in the Council resources outlined in Section 1.

2.3.4 Financial outlook for 2024/25 and after

The 2023/24 local government finance settlement was for 1 year only, however the accompanying policy statement published in December 2022 outlined the core principles to be applied for 2024/25, providing some degree of certainty over government funding for that year.

The 2022 Autumn Statement outlined local government resources for 2023/24 and 2024/25, with no indication on the quantum of funding thereafter. Any changes to the local government finance system, including the re-setting of business rates baselines and any change to the proportion of locally retained rates, have been deferred to beyond the life of this parliament. In addition, the adult social care charging reforms have been delayed for 2 years and the funding that had been set aside for this has been repurposed. Any decisions on the funding to be made available for implementing the reforms have also been deferred to the next parliament. It remains to be seen whether such funding will be sufficient to meet the costs.

The high levels of inflation and energy prices, increased interest rates and major demand pressures being felt across adults and children's social care remain key factors in the sustainability of local government finance.

Conclusion

This MTFs highlights the budget shortfalls from 2024/25 onwards and the need to take action to ensure the Council can continue to be financially sustainable over the medium term. The current forecast position is extremely challenging, with additional budgetary pressures, particularly in social care, outstripping the funding available. The cost of living crisis that is being experienced nationally has exacerbated the cost pressures being felt in 2022/23 and forecast for 2023/24. Although savings have been identified to help offset the pressures, and there is some extra government funding available, these are insufficient to bridge the gap and a significant proportion of reserves is being used to balance the 2023/24 budget. With reserves being depleted and none available to help with balancing budgets in future years, swift action will need to be taken to find solutions for addressing the future years' budget shortfalls.

This page is intentionally left blank

MEDIUM TERM FINANCIAL FORECAST MODEL																				
GENERAL FUND REVENUE ACCOUNT																				
	2022/23			2023/24								2024/25			2025/26			2026/27		
	Approved 2022/23 Budget	Forecast Changes	Revised 2022/23 Budget	Approved 2023/24 Budget	Budget Virements	Inflation	Pressures	Savings	MTFS Amendments	Forecast Changes	Revised 2023/24 Budget	Approved 2024/25 Budget	Forecast Changes	Revised 2024/25 Budget	Approved 2025/26 Budget	Forecast Changes	Revised 2025/26 Budget	Approved 2026/27 Budget	Forecast Changes	Revised 2026/27 Budget
Approved Budget As at Feb 2022	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
A Prosperous City	7.97	1.65	9.62	7.44	0.58	0.87	1.19	(3.03)	0.00	(0.39)	7.05	7.35	1.41	8.76	7.35	0.97	8.32	7.35	0.97	8.32
A Proud and Resilient City	26.13	2.83	28.96	25.07	1.54	1.35	3.58	(0.99)	0.01	5.49	30.56	24.44	5.62	30.06	24.33	5.68	30.00	24.33	5.74	30.06
A Successful, Sustainable Organisation	28.63	2.10	30.73	27.73	2.30	0.64	3.57	(5.07)	0.00	1.44	29.17	27.43	0.80	28.23	27.43	(0.04)	27.39	27.43	(0.02)	27.41
Strong Foundations for Life	139.52	8.63	148.15	132.87	2.84	3.12	18.09	(2.48)	0.15	21.72	154.59	131.55	17.57	149.12	131.75	17.47	149.22	131.75	17.47	149.22
Other Inflationary Pressures	6.02	(4.86)	1.16	11.31	(4.13)	(5.98)	0.00	(1.13)	4.89	(6.35)	4.96	16.50	(1.01)	15.49	21.72	0.27	21.98	21.72	6.59	28.30
Programme Expenditure	208.27	10.35	218.62	204.42	3.14	0.00	26.42	(12.70)	5.05	21.91	226.33	207.28	24.39	231.67	212.58	24.34	236.92	212.58	30.74	243.31
Capital Asset Management	11.60	(0.06)	11.54	15.49	0.00	0.00	1.80	(7.22)	0.00	(5.42)	10.06	16.14	(3.43)	12.70	16.14	(1.92)	14.22	16.14	(1.00)	15.14
Levies & Contributions	0.09	0.00	0.09	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.09	0.00	0.09	0.09	0.00	0.09	0.09	0.00	0.09
Other Expenditure & Income & Centrally Held Allocations	4.96	(0.96)	4.00	5.10	(3.14)	0.00	0.00	(1.36)	4.99	0.49	5.59	5.13	0.91	6.04	5.15	(0.11)	5.04	5.15	0.89	6.04
Transfer to/from Reserves	(31.87)	(9.20)	(41.07)	0.00	0.00	0.00	0.00	(0.75)	(19.87)	(20.62)	(20.62)	0.00	0.00	0.00	0.00	2.00	2.00	0.00	2.00	2.00
Net Revenue Expenditure	193.05	0.13	193.17	225.10	(0.00)	0.00	28.22	(22.03)	(9.83)	(3.64)	221.45	228.63	21.87	250.50	233.95	24.31	258.26	233.95	32.63	266.58
Funding																				
Contribution to/from General Fund Balances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Council Tax (including Adult Social Care Precept)	(108.77)	0.00	(108.77)	(111.39)	0.00	0.00	0.00	0.00	(4.38)	(4.38)	(115.77)	(114.30)	(4.51)	(118.81)	(117.75)	(5.14)	(122.89)	(117.75)	(8.83)	(126.58)
Collection Fund Surplus/Deficit - Council Tax	(2.47)	0.00	(2.47)	0.22	0.00	0.00	0.00	0.00	0.04	0.04	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business Rates	(44.67)	0.00	(44.67)	(52.89)	0.00	0.00	0.00	0.00	5.44	5.44	(47.45)	(54.22)	0.16	(54.06)	(55.51)	(0.33)	(55.84)	(55.51)	(2.25)	(57.76)
Collection Fund Surplus/Deficit - Business Rates	11.89	0.00	11.89	0.98	0.00	0.00	0.00	0.00	(2.66)	(2.66)	(1.69)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business Rates Retention Pool Growth Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Support Grant	(11.37)	0.00	(11.37)	(11.37)	0.00	0.00	0.00	0.00	(1.51)	(1.51)	(12.88)	(11.37)	(2.21)	(13.58)	(11.37)	(2.64)	(14.01)	(11.37)	(3.01)	(14.37)
Top Up Grant/Tariff Payment	(4.63)	0.00	(4.63)	(4.63)	0.00	0.00	0.00	0.00	(0.73)	(0.73)	(5.36)	(4.63)	(1.02)	(5.65)	(4.63)	(1.20)	(5.83)	(4.63)	(1.36)	(5.98)
New Homes Bonus	(0.91)	0.00	(0.91)	0.00	0.00	0.00	0.00	0.00	(0.21)	(0.21)	(0.21)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S31 Business Rates Grants	(14.49)	0.00	(14.49)	(8.89)	0.00	0.00	0.00	0.00	(7.63)	(7.63)	(16.53)	(9.06)	(4.24)	(13.30)	(9.24)	(4.52)	(13.76)	(9.24)	(4.93)	(14.17)
Other Non-Specific Government Grants	(17.63)	(0.13)	(17.76)	(13.70)	0.00	0.00	0.00	0.00	(8.12)	(8.12)	(21.82)	(13.60)	(10.28)	(23.88)	(13.51)	(9.86)	(23.37)	(13.51)	(9.42)	(22.93)
Total Funding	(193.05)	(0.13)	(193.17)	(201.67)	0.00	0.00	0.00	0.00	(19.79)	(19.79)	(221.45)	(207.17)	(22.10)	(229.28)	(212.00)	(23.70)	(235.70)	(212.00)	(29.79)	(241.79)
Savings Requirement	(0.00)	(0.00)	(0.00)	23.43	(0.00)	0.00	28.22	(22.03)	(29.62)	(23.43)	0.00	21.46	(0.24)	21.22	21.95	0.61	22.56	21.95	2.84	24.79

This page is intentionally left blank

PREVIOUSLY AGREED BUDGET CHANGES

PREVIOUSLY AGREED PRESSURES

A prosperous city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P11	Recharge budget for Highways capital financing costs not required as will be met centrally - offsetting other service pressures	Transport & District Regeneration	Transportation	(800)	(800)	(800)	(800)
20P12	Concessionary fares budget adjusted to match expenditure - offsetting other service pressures	Transport & District Regeneration	Transportation	(200)	(200)	(200)	(200)
21P23	Car park off street income	Transport & District Regeneration	Parking & Itchen Bridge	560	560	560	560
21P24	Car park off street Penalty Charge Notices	Transport & District Regeneration	Parking & Itchen Bridge	25	25	25	25
21P25	Car park season tickets - off street	Transport & District Regeneration	Parking & Itchen Bridge	60	60	60	60
21P26	Itchen toll bridge - tolls	Transport & District Regeneration	Parking & Itchen Bridge	450	450	450	450
21P30	Homes of Multiple Occupancy License processing	Housing & the Green Environment	Private Sector Housing	100	100	100	100
21P46	Review of Transport services and functions - unachievable saving	Transport & District Regeneration	Transportation	250	250	250	250
21P54	Street Lighting - project management resources	Finance & Change	Highways Contracts	60	60	60	60
21P62	Park & Ride loss of car park income	Transport & District Regeneration	Parking & Itchen Bridge	10	10	10	10
22P40	Revenue costs of District Centre Improvements scheme	Transport & District Regeneration	Transportation	20			
Total Previously Agreed Pressures - A prosperous city				535	515	515	515

A proud and resilient city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P5	Government's Carbon Reduction Commitment scheme now ceased and therefore budget used to offset other service pressures	Economic Development	Sustainability	(225)	(225)	(225)	(225)
20P6	Cultural Services - rental budget reduced before saving project has been implemented and unlikely to start this year. Will be kept under review	Leader	Cultural Services	34	34	34	34
20P7	Museum Collection into Sea City - Savings in the budget before project has been implemented and will not start this year and next. Will be kept under review	Leader	Cultural Services	150	150	150	150
21P10	Public conveniences additional cleansing	Housing & the Green Environment	City Services - Commercial Services	60	60	60	60
21P12	Waste Disposal - net impact on disposal costs	Finance & Change	City Services - Waste Operations	110	110	110	110
21P28	Reduced Trade Waste Collection from closed businesses	Finance & Change	City Services - Waste Operations	50	50	50	50
21P52	Public building review	Communities & Customer Engagement	Libraries	70	70	70	70
21P58	Public Health Act funerals	Communities & Customer Engagement	Bereavement Services	50	50	50	50
21P59	Stronger Communities Future Service Design	Communities & Customer Engagement	Stronger Communities	200	200	200	200
21P60	Libraries income shortfall	Communities & Customer Engagement	Libraries	50	50	50	50
21P67	Late Night Levy withdrawal	Safer City	Licensing	80	80	80	80
21P72	Reduction in waste recyclables income	Finance & Change	City Services - Waste Operations	300	300	300	300
21P73	Waste volumes due to City growth	Finance & Change	City Services - Waste Operations	200	200	200	200
21P80	Golf Course net operating costs	Housing & the Green Environment	City Services - District Operating Areas	311	311	311	311
22P13	City of Culture	Leader	City of Culture	100	100	100	100
22P25	Waste Operations - new staffing model	Finance & Change	City Services - Waste Operations	546	546	503	503
22P26	Waste Operations - transformation costs	Finance & Change	City Services - Waste Operations	350	150	100	100
22P27	Waste volumes due to City growth	Finance & Change	City Services - Waste Operations	250	350	450	450
22P28	Household waste recycling centre contract retendering	Finance & Change	City Services - Waste Operations	50	50		
Total Previously Agreed Pressures - A proud and resilient city				2,736	2,636	2,593	2,593

A successful, sustainable organisation

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P1	Adult Social Care - Additional resources required to meet demographic and cost pressures (including those from the National Living Wage)	Finance & Change	Projects, Policy & Performance	40	40	40	40
20P10	Property Repairs and Maintenance - budget reduced to reflect actual requirement - offsetting other service pressures	Economic Development	Central Repairs & Maintenance	(250)	(250)	(250)	(250)
20P13	Legal Services - unfunded solicitor post, previously funded from one-off funding source	Leader	Legal Services & Customer Relations	50	50	50	50
20P14	Rebase of members allowances costs to reflect that no savings arose following the allowances review	Leader	Democratic Representation & Management	58	58	58	58
20P15	Credit Card charges for the cash office	Finance & Change	Corporate Finance	52	52	52	52
20P16	Corporate Planning - Income target for external VAT work unachievable due to in-house work pressure	Finance & Change	Corporate Finance	50	50	50	50
20P17	Finance Business Partnering - unachievable saving target for work for other local authorities	Finance & Change	Corporate Finance	80	80	80	80
20P18	Revenue costs of delivering the IT Strategy	Finance & Change	IT Services	357	357	357	357
20P19	Business World team resources - additional staffing requirements for expanded remit	Finance & Change	IT Services	53	53	53	53
20P20	Increase in council tax hardship fund	Finance & Change	Local Taxation & Benefits Services	25	25	25	25
20P21	Treasury Management income not going to be received	Finance & Change	Corporate Finance	38	38	38	38
20P8	Investment property - Income target was increased last year by £740k to reflect early achievement of the original £500k which was deferred until 20/21. The total increased target of £1,240k is not achievable next year.	Economic Development	Property Portfolio Management	500	500	500	500
20P9	Recharge budget for Investment Property MRP not required as will be met centrally - offsetting other service pressures	Economic Development	Property Portfolio Management	(645)	(645)	(645)	(645)
21P20	Investment Property target income	Economic Development	Property Portfolio Management	250			
21P21	Property Investment Fund - review	Economic Development	Commercialisation	6,595	6,595	6,595	6,595
21P21	Property Investment Fund - review	Finance & Change	Property Portfolio Management	3,375	3,375	3,375	3,375
21P32	Increase rental income by sale & reinvesting in properties returning a higher return - unachievable saving	Economic Development	Property Portfolio Management	100	100	100	100
21P34	Improved collection of council tax - unachievable saving	Finance & Change	Local Taxation & Benefits Services	161	161	161	161
21P35	Reducing the level of bad debt & cost recovery - unachievable saving	Finance & Change	Local Taxation & Benefits Services	125	125	125	125
21P53	IT investment	Finance & Change	IT Services	1,103	961	961	961
21P6	Additional Emergency Planning resource	Safer City	Emergency Planning	15	15	15	15
21P61	One Guildhall Square under occupancy costs	Economic Development	Property Portfolio Management	1,500	1,500	1,500	1,500
21P69	Customer Payments & Debt income shortfall	Finance & Change	Accounts Receivable	92	92	92	92
21P84	Apprenticeship Levy	Leader	HR Services	100	100	100	100
22P14	800th Mayoral year event programme and increased support for the Mayor's Office	Leader	Democratic Representation & Management	62	62	62	62
22P16	Property income rebasing	Economic Development	Property Services	880	880	880	880
22P20	Members allowances - increase in the size of the Cabinet	Leader	Democratic Representation & Management	40	40	40	40
22P24	Increase council tax collection activity	Finance & Change	Local Taxation & Benefits Services	110	110	110	110
22P32	Investment Properties - loss of rental income	Economic Development	Property Portfolio Management	145	125	125	125
22P35	Proposed warding patterns - Southampton Electoral Review	Leader	Democratic Representation & Management	46	46	46	46
22P38	Delivery of People Strategy	Leader	HR Services	90	90	90	90
Total Previously Agreed Pressures - A successful, sustainable organisation				15,197	14,785	14,785	14,785

Strong foundations for life

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P1	Adult Social Care - Additional resources required to meet demographic and cost pressures (including those from the National Living Wage)	Health, Adults & Leisure	Adults - Adult Services Management	512	512	512	512
20P1	Adult Social Care - Additional resources required to meet demographic and cost pressures (including those from the National Living Wage)	Health, Adults & Leisure	Adults - Long Term	9,789	9,789	9,789	9,789
20P1	Adult Social Care - Additional resources required to meet demographic and cost pressures (including those from the National Living Wage)	Health, Adults & Leisure	Adults - Provider Services	300	300	300	300
20P2	Compass School - saving was allocated to the General fund but it relates to the ring-fenced Dedicated School Grant	Children & Learning	DSG Central School Services Block	1,000	1,000	1,000	1,000
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	Children & Families First	338	338	338	338
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	Commissioning, Policy & Performance	(48)	(48)	(48)	(48)
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	Divisional Management and Legal	319	319	319	319
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	ICU - Children's Services	(59)	(59)	(59)	(59)
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	MASH & CIN	(2)	(2)	(2)	(2)
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	Quality Assurance Business Unit	107	107	107	107
20P3	Early Help extended locality model to stop children coming into care, saving not going to be achieved	Children & Learning	Safeguarding	(239)	(239)	(239)	(239)
21P13	Adult Social Care - demographic pressures	Health, Adults & Leisure	Adults - Long Term	5,656	5,656	5,656	5,656
21P36	Increase capacity of Shared Lives provision - general population (non students) - unachievable saving	Health, Adults & Leisure	Adults - Long Term	100	100	100	100
21P37	Reviewing homecare care provision to framework - unachievable saving	Health, Adults & Leisure	Adults - Long Term	50	50	50	50
21P38	Application of strengths-based approaches when addressing review backlog across all care types - unachievable saving	Health, Adults & Leisure	Adults - Long Term	450	450	450	450
21P39	Bringing our activity in line with the highest performing authorities for small homecare packages - unachievable saving	Health, Adults & Leisure	Adults - Long Term	1,110	1,110	1,110	1,110
21P40	Clients being offered reablement - unachievable saving	Health, Adults & Leisure	Adults - Long Term	1,986	1,986	1,986	1,986
21P41	Direct payments - improved controls to ensure meeting care needs/personal budget brokerage/increase use of PAs (based on audit findings and peer challenge) - unachievable saving	Health, Adults & Leisure	Adults - Long Term	320	320	320	320
21P42	Extra care housing reducing use of residential care for older people - unachievable saving	Health, Adults & Leisure	Adults - Long Term	144	144	144	144
21P43	More effective demand management (pre-front door and front door) - unachievable saving	Health, Adults & Leisure	Adults - Long Term	150	150	150	150
21P44	Occupational Therapy reviews - unachievable saving	Health, Adults & Leisure	Adults - Long Term	80	80	80	80
21P45	Increasing the proportion of patients who return home after a short-term period (no more than six weeks) rather than being in a residential care bed - unachievable saving	Health, Adults & Leisure	Adults - Long Term	34	34	34	34
21P47	Looked After Children placement costs	Children & Learning	Pathways Through Care	3,751	3,751	3,751	3,751
21P48	Children's - Agency costs	Children & Learning	Divisional Management and Legal	1,729	1,557	1,557	1,557
21P49	Safer Families for Children increased costs	Children & Learning	Children & Families First	120	120	120	120
21P56	Adult Social Care - additional staffing	Health, Adults & Leisure	Adults - Adult Services Management	1,750	1,750	1,750	1,750

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
21P57	Adult Social Care - equipment	Health, Adults & Leisure	Adults - Adult Services Management	300	300	300	300
21P63	Specialist Support Services savings - unachievable savings	Children & Learning	Pathways Through Care	470	470	470	470
21P64	Early Help - unachievable year-on-year increase in savings	Children & Learning	Children & Families First		416	416	416
21P64	Early Help - unachievable year-on-year increase in savings	Children & Learning	Children & Families First	416			
21P65	Workforce Development - income and savings targets - unachievable savings	Children & Learning	Quality Assurance Business Unit	444	444	444	444
21P78	Reduction in recharges to the Dedicated Schools Grant	Children & Learning	Safeguarding	60	60	60	60
21P79	Childhood Obesity Strategy	Health, Adults & Leisure	Public Health - Health Improvement	41	41	41	41
21P81	Temporary classrooms	Children & Learning	Education - Early Years and Asset Mgt	195	180	180	180
22P1	Destination 22 staffing growth - Early Help	Children & Learning	Children & Families First	225	225	225	225
22P10	Children's Social Care - Residential units	Children & Learning	Pathways Through Care	2,376	2,418	2,460	2,460
22P11	Workforce Academy	Children & Learning	Quality Assurance Business Unit	157	180	157	157
22P12	Destination 22 programme and project resources	Children & Learning	Divisional Management and Legal	278			
22P17	Adults Social Care demography - ageing population leading to a subsequent increase in demand for Social Care services	Health, Adults & Leisure	Adults - Long Term	690	1,380	2,070	2,070
22P18	Adults Social Care staffing pressures relating to a range of service improvements to increase the quality and resilience of the Social Care service	Health, Adults & Leisure	Adults - Adult Services Management	996	996	996	996
22P19	Adults Social Care staffing pressures - Learning Disabilities Housing team	Health, Adults & Leisure	ICU - System Redesign	273	273	273	273
22P2	Destination 22 staffing growth - Young People	Children & Learning	Divisional Management and Legal	592	592	592	592
22P21	Children's Social Care - other current service pressures - Agency staffing	Children & Learning	MASH & CIN	890	890	890	890
22P21	Children's Social Care - other current service pressures - Agency staffing	Children & Learning	Safeguarding	890	890	890	890
22P22	Children's Social Care - other current service pressures - Preventative services	Children & Learning	Safeguarding	328	328	328	328
22P3	Destination 22 staffing growth - Children Looked After	Children & Learning	Divisional Management and Legal	386	386	386	386
22P34	Children's Social Care - Refer a Friend Scheme	Children & Learning	Pathways Through Care	15	15	15	15
22P36	Children's Social Care - other current service pressures	Children & Learning	Divisional Management and Legal	50	50	50	50
22P4	Children's Social Care - unfunded service critical posts	Children & Learning	Divisional Management and Legal	719	719	719	719
22P5	Children's Social Care - Youth Offending Service posts	Children & Learning	Young Peoples Service	180	180	180	180
22P6	Disability Service unfunded posts	Children & Learning	Education - High Needs and Schools	475	475	475	475
22P7	Children's Social Care - other current service pressures - Placement spend	Children & Learning	Pathways Through Care	4,332	4,332	4,332	4,332
22P8	PAUSE - Preventing children into care (post govt funding)	Children & Learning	Pathways Through Care	245	245	245	245
22P9	Enhancing Behaviour Resilience Service / Children & Adolescent Mental Health Services	Children & Learning	Young Peoples Service	227	227	227	227
Total Previously Agreed Pressures - Strong foundations for life				45,695	45,984	46,693	46,693

Capital Asset Management

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P22	Additional financing costs of capital schemes	Non-Portfolio	Financial Planning	838	838	838	838
20P24	Centrally held budget provision - offsetting other service pressures	Non-Portfolio	Financial Planning	(2,415)	(2,415)	(2,415)	(2,415)
21P21	Property Investment Fund - review	Non-Portfolio	Financial Planning	(7,220)	(7,220)	(7,220)	(7,220)
Total Previously Agreed Pressures - Capital Asset Management				(8,797)	(8,797)	(8,797)	(8,797)

Levies and Contributions

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20P23	Increase in levy charges	Non-Portfolio	Other	14	14	14	14
Total Previously Agreed Pressures - Levies and Contributions				14	14	14	14

TOTAL PREVIOUSLY AGREED PRESSURES				55,379	55,137	55,803	55,803
--	--	--	--	---------------	---------------	---------------	---------------

PREVIOUSLY AGREED SAVINGS

A prosperous city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20S5	Increasing commercialisation of the courier service	Transport & District Regeneration	Transportation	(14)	(14)	(14)	(14)
20S6	Offer alternative parking location for contractual car users	Transport & District Regeneration	Parking & Itchen Bridge	(20)	(20)	(20)	(20)
20S7	Increase civil enforcement capacity to allow more frequent patrols in some areas to improve compliance with parking regulations	Transport & District Regeneration	Parking & Itchen Bridge	(7)	(7)	(7)	(7)
20S9	Highways gain-share to revenue	Finance & Change	Highways Contracts	(800)	(800)	(800)	(800)
21S99	Increase Disabled Facility Grant (DFG) contribution to revenue provision of service	Housing & the Green Environment	Private Sector Housing	(80)	(80)	(80)	(80)
22S25	Parking income estimates	Transport & District Regeneration	Parking & Itchen Bridge	(250)	(250)	(250)	(250)
22S26	Itchen Bridge reserve contribution	Transport & District Regeneration	Parking & Itchen Bridge	(190)			
22S28	Civic Centre car park income	Transport & District Regeneration	Parking & Itchen Bridge	(100)	(100)	(100)	(100)
22S29	Cruise ship car parking	Transport & District Regeneration	Parking & Itchen Bridge	(50)	(50)	(50)	(50)
22S32	Partnership Delivery Models	Economic Development	Planning		(140)	(140)	(140)
22S32	Partnership Delivery Models	Transport & District Regeneration	Transportation		(25)	(25)	(25)
Total Previously Agreed Savings - A prosperous city				(1,511)	(1,486)	(1,486)	(1,486)

A proud and resilient city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20S1	Hire out of parks for events	Leader	Cultural Services	(50)	(50)	(50)	(50)
20S2	Events income	Leader	Cultural Services	(100)	(100)	(100)	(100)
20S8	Advertising on litter bins	Housing & the Green Environment	City Services - Commercial Services	(5)	(5)	(5)	(5)
21S27	Review of overheads chargeable to Licensing Services	Safer City	Licensing	(30)	(30)	(30)	(30)
21S32	Libraries income review	Communities & Customer Engagement	Libraries	(6)	(6)	(6)	(6)
21S64	Clean Growth Fund	Economic Development	Sustainability	(18)	(18)	(18)	(18)
21S98	Exploring Community funding with alternative model	Communities & Customer Engagement	Grants to Voluntary Organisations	(50)	(50)	(50)	(50)
22S16	Bereavement Services Income Generation	Communities & Customer Engagement	Bereavement Services	(100)	(100)	(100)	(100)
22S17	Registration Services - Ceremonies income generation	Communities & Customer Engagement	Registration Services	(60)	(60)	(60)	(60)
22S18	Port Health Income	Safer City	Port Health	(30)	(30)	(30)	(30)
22S34	Decarbonisation Measures	Economic Development	Sustainability	(385)	(385)	(385)	(385)
22S44	Waste Operations - eco driving	Finance & Change	City Services - Waste Operations	(20)	(20)	(20)	(20)
22S45	Trade Waste	Finance & Change	City Services - Waste Operations	(200)	(200)	(200)	(200)
22S47	Reduce waste contamination rate	Finance & Change	City Services - Waste Operations	(40)	(60)	(80)	(80)
22S48	Waste Operations - service improvements	Finance & Change	City Services - Waste Operations	(340)	(610)	(620)	(620)
22S49	Income from Dry Mixed Recyclables	Finance & Change	City Services - Waste Operations	(200)	(230)	(260)	(260)
22S50	Increase number of Green Waste customers	Finance & Change	City Services - Waste Operations	(22)	(22)	(22)	(22)
22S55	Southampton Golf Course income	Housing & the Green Environment	City Services - Commercial Services	(85)	(85)	(85)	(85)
22S9	Cultural Services Venues (Income) - stretch target	Leader	Cultural Services	(300)	(300)	(300)	(300)
22S46	Reduced residual waste bin size	Finance & Change	City Services - Waste Operations		(40)	(50)	(50)
Total Previously Agreed Savings - A proud and resilient city				(2,041)	(2,401)	(2,471)	(2,471)

A successful, sustainable organisation

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20S10	Cost Recovery and Charging policy	Finance & Change	Corporate Finance	(60)	(60)	(60)	(60)
20S11	Improved recovery of income reducing the level of bad debt provision required	Finance & Change	Local Taxation & Benefits Services	(250)	(250)	(250)	(250)
20S12	Trading with Schools - growing capacity	Leader	HR Services	(30)	(30)	(30)	(30)
20S13	Learning and Development service	Leader	HR Services	(20)	(20)	(20)	(20)
20S14	Increased income from Schools for data charges	Finance & Change	IT Services	(15)	(15)	(15)	(15)
20S15	Services to the market	Leader	Legal Services & Customer Relations	(30)	(30)	(30)	(30)
20S25	Council resource review	Leader	Strategic Management of the Council	(420)	(420)	(420)	(420)
20S26	Single Person Discount	Finance & Change	Local Taxation & Benefits Services	(87)	(87)	(87)	(87)
20S27	Up front payments of Council contributions to LGPS Pension Fund	Finance & Change	Pension & Redundancy Costs	(100)	(100)	(100)	(100)
20S28	IDEA including Duplicate Payments	Finance & Change	Accounts Payable	(50)	(50)	(50)	(50)
20S3	Property Investment Fund	Economic Development	Property Portfolio Management	(9,970)	(9,970)	(9,970)	(9,970)
20S30	Progressive removal of on-premise data centre	Finance & Change	IT Services	(50)	(50)	(50)	(50)
20S31	IT asset rationalisation (printers, phones etc)	Finance & Change	IT Services	(50)	(50)	(50)	(50)
20S32	Procurement of large scale printing	Finance & Change	IT Services	(50)	(50)	(50)	(50)
20S33	Improved collection of council tax	Finance & Change	Local Taxation & Benefits Services	(321)	(321)	(321)	(321)
20S34	Back office integration / further centralisation of Business Support	Finance & Change	Business Support	(81)	(81)	(81)	(81)
20S35	Improving Absence management with 2 year investment in targeted additional resource	Leader	HR Services	(250)	(250)	(250)	(250)
20S36	Temporary Employment Agency	Leader	HR Services	(20)	(20)	(20)	(20)
20S38	Insurance premium	Finance & Change	Risk Management	(121)	(121)	(121)	(121)
20S39	Procurement contract savings	Finance & Change	Supplier Management Services	(250)	(250)	(250)	(250)
20S4	Reduction of paper letters sent	Communities & Customer Engagement	Customer Services	(30)	(30)	(30)	(30)
21S108	Finance and Commercialisation Directorate – cost reduction	Finance & Change	Centrally Apportionable Overheads	(400)	(400)	(400)	(400)
21S111	Review pricing strategy	Finance & Change	Commercialisation	(250)	(250)	(250)	(250)
21S120	Efficiencies in Customer and Communications	Communities & Customer Engagement	Customer Services	(91)	(91)	(91)	(91)
21S120	Efficiencies in Customer and Communications	Economic Development	Facilities	(40)	(40)	(40)	(40)
21S120	Efficiencies in Customer and Communications	Leader	Corporate Communications	(20)	(20)	(20)	(20)
21S121	Business Support	Finance & Change	Business Support	(250)	(250)	(250)	(250)
21S124	Temp staff/agency workers etc savings	Finance & Change	Corporate Finance	(1,000)	(1,000)	(1,000)	(1,000)
21S125	Reduce planned recruitment in Policy, Projects and Performance	Finance & Change	Projects, Policy & Performance	(50)	(50)	(50)	(50)
21S21	Review of allowances	Leader	HR Services	(5)	(5)	(5)	(5)
21S55	Greater use of purchase cards	Finance & Change	Accounts Payable	(115)	(115)	(115)	(115)
21S56	City lottery proposal	Finance & Change	Commercialisation	(40)	(40)	(40)	(40)
21S60	Renegotiate payment terms with suppliers	Finance & Change	Accounts Payable	(25)	(25)	(25)	(25)
21S74	Procure digital system to carry out financial assessments for adult social care	Finance & Change	Local Taxation & Benefits Services	(81)	(81)	(81)	(81)
21S89	Reconfigure contact centre management	Communities & Customer Engagement	Customer Services	(23)	(23)	(23)	(23)
21S90	Enhancement of Salary Sacrifice Scheme	Finance & Change	Commercialisation	(42)	(42)	(42)	(42)
21SC	Finance and Commercialisation Directorate – cost reduction	Finance & Change	Commercialisation	(100)	(100)	(100)	(100)

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
21SF	Procurement and contract management savings	Finance & Change	Supplier Management Services	(500)	(500)	(500)	(500)
21SK	Temp staff - cabinet report master vendor	Leader	HR Services	(250)	(250)	(250)	(250)
21SN	Finalise access to online payslips for all staff	Leader	HR Services	(18)	(18)	(18)	(18)
21SO	Review Housing Revenue Account (HRA) staff time allocations	Finance & Change	Centrally Apportionable Overheads	(200)	(200)	(200)	(200)
21SS	Staff travel, office consumables, postage etc savings	Finance & Change	Centrally Apportionable Overheads	(400)	(400)	(400)	(400)
22S11	Customer Services - Non staff spend/Vacant posts deletion	Communities & Customer Engagement	Customer Services	(20)	(20)	(20)	(20)
22S13	Facilities - cleaning contract consolidation & reduced non staff spend	Economic Development	Facilities	(55)	(55)	(55)	(55)
22S14	Stretch Contract Management and Procurement Savings	Finance & Change	Supplier Management Services	(200)	(200)	(200)	(200)
22S15	Review allocation of Procurement Team time	Finance & Change	Supplier Management Services	(100)	(100)	(100)	(100)
22S19	Restructure deputyships and appointeeship services	Finance & Change	Accounts Payable	(5)	(5)	(5)	(5)
22S21	Shared services (e.g. VAT advice or Risk Management)	Finance & Change	Corporate Finance	(10)	(10)	(10)	(10)
22S23	Local Government Pension Scheme saving from lump sum upfront payment	Finance & Change	Pension & Redundancy Costs	(180)	(180)	(180)	(180)
22S33	Property Budget	Economic Development	Central Repairs & Maintenance	(390)	(390)	(390)	(390)
22S33	Property Budget	Economic Development	Property Portfolio Management	(188)	(188)	(188)	(188)
22S33	Property Budget	Economic Development	Property Services	(9)	(9)	(9)	(9)
22S41	Corporate Communications - advertising income	Communities & Customer Engagement	Customer Services	(80)	(80)	(80)	(80)
22S43	Leaders Budget reduction	Leader	Strategic Management of the Council	(30)	(30)	(30)	(30)
22S53	Legal Services saving	Leader	Legal Services & Customer Relations	(57)	(57)	(57)	(57)
Total Previously Agreed Savings - A successful, sustainable organisation				(17,479)	(17,479)	(17,479)	(17,479)

Strong foundations for life

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20S16	Increasing availability of support and carrying out assessments more quickly to help people to return home after a short stay in residential care on discharge from hospital	Health, Adults & Leisure	Adults - Long Term	(34)	(34)	(34)	(34)
20S17	Making best use of the full range of services that are currently available to support people to live independently in a community setting	Health, Adults & Leisure	Adults - Long Term	(1,110)	(1,110)	(1,110)	(1,110)
20S18	Expanding the successful reablement service so more people benefit from short term, intensive support	Health, Adults & Leisure	Adults - Long Term	(1,986)	(1,986)	(1,986)	(1,986)
20S19	Occupational Therapy (OT) reviews to identify where equipment can be used to enable care to be provided in the home by one carer	Health, Adults & Leisure	Adults - Long Term	(80)	(80)	(80)	(80)
20S20	Increased availability of housing with care options ('extra care') across the city	Health, Adults & Leisure	Adults - Long Term	(480)	(480)	(480)	(480)
20S21	Ensuring direct payments are being used in accordance with care and support plans to meet care needs	Health, Adults & Leisure	Adults - Long Term	(320)	(320)	(320)	(320)
20S22	The provision of better and earlier advice and information on adult social care and community support to meet Care Act 2014 duties, to promote wellbeing and support independence	Health, Adults & Leisure	Adults - Long Term	(150)	(150)	(150)	(150)
20S23	Developing a 'Level 4' Specialist Foster Care scheme in Southampton	Children & Learning	Pathways Through Care	(131)	(131)	(131)	(131)
20S24	Learning & Development Systems	Children & Learning	Divisional Management and Legal	(8)	(8)	(8)	(8)
21S1	Review of Telecare Rental Charges	Health, Adults & Leisure	Adults - Long Term	(34)	(34)	(34)	(34)
21S123	Maximising independence for people with Learning Disabilities	Health, Adults & Leisure	Adults - Long Term	(470)	(470)	(470)	(470)
21S94	Improved use of appropriate lifting equipment to help reduce double handed care (two staff)	Health, Adults & Leisure	Adults - Long Term	(240)	(240)	(240)	(240)
21S23	Citywide cleaning due to Covid-19	Health, Adults & Leisure	Public Health - Management & Overheads	(180)	(180)	(180)	(180)

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
22S1	Children's Social Care - residential unit projections	Children & Learning	Pathways Through Care	(2,912)	(3,055)	(3,205)	(3,205)
22S2	Children's Social Care - agency reductions	Children & Learning	MASH & CIN	(857)	(1,101)	(1,101)	(1,101)
22S2	Children's Social Care - agency reductions	Children & Learning	Safeguarding	(858)	(1,100)	(1,100)	(1,100)
22S22	St Mary's Leisure Centre closure	Health, Adults & Leisure	Leisure Contracts	(148)	(148)	(148)	(148)
22S3	Children's Social Care - potential staff reductions	Children & Learning	MASH & CIN	(299)	(598)	(598)	(598)
22S3	Children's Social Care - potential staff reductions	Children & Learning	Pathways Through Care	(64)	(129)	(129)	(129)
22S3	Children's Social Care - potential staff reductions	Children & Learning	Quality Assurance Business Unit	(37)	(73)	(73)	(73)
22S3	Children's Social Care - potential staff reductions	Children & Learning	Safeguarding	(145)	(290)	(290)	(290)
22S4	Specialist Foster Carers	Children & Learning	Pathways Through Care	(784)	(784)	(784)	(784)
22S40	Adult Social Care - Contract Reviews	Health, Adults & Leisure	ICU - Provider Relationships	(1,044)	(1,044)	(1,044)	(1,044)
22S5	Fostering	Children & Learning	Pathways Through Care	(432)	(777)	(1,123)	(1,123)
22S51	Education psychologists	Children & Learning	Education - Early Years and Asset Mgt	(25)	(25)	(25)	(25)
22S52	Home to school transport	Children & Learning	Education - Early Years and Asset Mgt	(60)	(120)	(120)	(120)
22S54	Children's Social Care - Refer a Friend Cost Reductions	Children & Learning	MASH & CIN	(150)	(150)	(150)	(150)
22S54	Children's Social Care - Refer a Friend Cost Reductions	Children & Learning	Pathways Through Care	(316)	(316)	(316)	(316)
22S54	Children's Social Care - Refer a Friend Cost Reductions	Children & Learning	Safeguarding	(150)	(150)	(150)	(150)
22S6	Children's Social Care - residential case reductions	Children & Learning	Pathways Through Care	(6,050)	(6,050)	(6,050)	(6,050)
22S7	Looked After Children projections	Children & Learning	Pathways Through Care	(2,233)	(2,233)	(2,233)	(2,233)
Total Previously Agreed Savings - Strong foundations for life				(21,785)	(23,364)	(23,859)	(23,859)

Other Inflationary Pressures

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
21SGINF	General inflationary allowance	Non-Portfolio	Financial Planning	(500)	(500)	(500)	(500)
21SSINF	National pay award assumptions - budget at around level of inflation	Non-Portfolio	Financial Planning	(1,500)	(1,500)	(1,500)	(1,500)
Total Previously Agreed Savings - Other Inflationary Pressures				(2,000)	(2,000)	(2,000)	(2,000)

Capital Asset Management

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20S29	Transfer of land for Council Homes	Non-Portfolio	Financial Planning	(150)	(150)	(150)	(150)
20S3	Property Investment Fund	Non-Portfolio	Financial Planning	7,220	7,220	7,220	7,220
20S37	Capital Financing	Non-Portfolio	Financial Planning	(940)	(940)	(940)	(940)
21S53	Debt saving to the General Fund by transferring land to the HRA as part of 1,000 homes	Non-Portfolio	Financial Planning	(107)	(107)	(107)	(107)
22S24	Capital Financing	Non-Portfolio	Financial Planning	(653)	(383)	(383)	(383)
22S56	Change in capital financing policy re new Code of Practice	Non-Portfolio	Financial Planning	(400)	(400)	(400)	(400)
Total Previously Agreed Savings - Capital Asset Management				4,970	5,240	5,240	5,240

Other Expenditure & Income & Centrally Held Allocations

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
21S51	Unallocated receipts over 2 years old	Non-Portfolio	Financial Planning	(30)	(30)	(30)	(30)
Total Previously Agreed Savings - Other Expenditure & Income & Centrally Held Allocations				(30)	(30)	(30)	(30)

TOTAL PREVIOUSLY AGREED SAVINGS				(39,876)	(41,520)	(42,085)	(42,085)
--	--	--	--	-----------------	-----------------	-----------------	-----------------

PREVIOUSLY AGREED EXECUTIVE COMMITMENTS

A prosperous city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20E10	Connected Southampton 2040 (Local Transport Plan 4)	Transport & District Regeneration	Transportation	114	114	114	114
20E11	Itchen Bridge payment improved	Transport & District Regeneration	Parking & Itchen Bridge	286	286	286	286
20E13	Review provision of car parks	Transport & District Regeneration	Parking & Itchen Bridge	600	600	600	600
20E7	Five global partnership agreements signed	Economic Development	Economic Development	20	20	20	20
22E1	Transport plan feasibility work	Transport & District Regeneration	Transportation	50			
22E10	Rebate on resident parking permit	Transport & District Regeneration	Parking & Itchen Bridge	13	13	13	13
22E9	Car Park charges	Transport & District Regeneration	Parking & Itchen Bridge	87	37	37	37
Total Previously Agreed Executive Commitments - A prosperous city				1,170	1,070	1,070	1,070

A proud and resilient city

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20E12	Engagement officer for parks	Housing & the Green Environment	City Services - Commercial Services	50	50	50	50
20E14	Additional street cleaning in our neighbourhoods, fly-tipping and Litter enforcement activities	Housing & the Green Environment	City Services - District Operating Areas	370	370	370	370
20E14	Additional street cleaning in our neighbourhoods, fly-tipping and Litter enforcement activities	Safer City	Environmental Health & Scientific Services	130	130	130	130
20E3	Delivery of the Green City Charter commitments	Housing & the Green Environment	Air Quality Monitoring	304	304	304	304
20E4	Itchen flood defences - phase 1	Housing & the Green Environment	Flood Risk Management	50	50	50	50
20E5	Project to review the delivery of community engagement and community safety services	Safer City	Community Safety, Alcohol Related Crime, CCTV	162	162	162	162
20E6	Become a city of culture by 2025	Leader	City of Culture	192	192	192	192
22E12	Destination management	Leader	Cultural Services	100	100	100	100
22E7	Clean up our city - improving our parks, open spaces, waterfronts and city/district centres	Housing & the Green Environment	City Services - District Operating Areas	300	300	300	300
22E8	Increased enforcement against fly tipping	Safer City	Environmental Health & Scientific Services	120	120	120	120
Total Previously Agreed Executive Commitments - A proud and resilient city				1,778	1,778	1,778	1,778

A successful, sustainable organisation

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20E18	Implementation of smart ways of working model	Finance & Change	Projects, Policy & Performance	39	39	39	39
20E19	Improving surplus generated by our services to reinvest in council services	Finance & Change	Corporate Finance	191	191	191	191
20E20	Delivery of the Organisational Development plan	Leader	HR Services	200	200	200	200
20E21	Reducing overheads and streamlining our processes to improve outcomes and services	Finance & Change	Projects, Policy & Performance	45	45	45	45
20E8	Running the SCC First policy, and developing the Southampton Wealth Building initiative	Leader	Strategic Management of the Council	2	2	2	2
22E2	Promoting economic growth and investment	Economic Development	Property Services	50			
Total Previously Agreed Executive Commitments - A successful, sustainable organisation				527	477	477	477

Strong foundations for life

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20E1	Year of the child	Children & Learning	Divisional Management and Legal	125	125	125	125
20E2	Define our intelligent city strategy & build action plan	Children & Learning	Skills	55	55	55	55
22E5	Improve our health and learning for our children and adults across the city	Children & Learning	Education - High Needs and Schools	150	150	150	150
22E6	Leisure Strategy	Health, Adults & Leisure	Leisure Strategy	69	69	69	69
Total Previously Agreed Executive Commitments - Strong foundations for life				399	399	399	399

Capital Asset Management

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
20E22	Additional financing costs of capital investments	Non-Portfolio	Financial Planning	3,162	3,162	3,162	3,162
22E14	Capital Financing for new initiatives	Non-Portfolio	Financial Planning	1,400	1,400	1,400	1,400
Total Previously Agreed Executive Commitments - Capital Asset Management				4,562	4,562	4,562	4,562

Council Tax

Reference	Description	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
22E13	Freeze council tax charge for 1 year	Non-Portfolio	Financial Planning	2,188	2,253	2,314	2,314
Total Previously Agreed Executive Commitments - Council Tax				2,188	2,253	2,314	2,314

TOTAL PREVIOUSLY AGREED EXECUTIVE COMMITMENTS				10,625	10,539	10,601	10,601
--	--	--	--	---------------	---------------	---------------	---------------

Net Revenue Expenditure 2023/24 to 2026/27 by Service Activity

A prosperous city

Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Children & Learning	Skills, Regeneration & Partnership	414	414	414	414
Economic Development	Economic Development	67	17	17	17
Economic Development	Planning	129	14	14	14
Economic Development	Social Fund & Property	284	284	284	284
Finance & Change	Highways Contracts	7,919	7,919	7,919	7,919
Housing & the Green Environment	Private Sector Housing	228	228	228	228
Transport & District Regeneration	Parking & Itchen Bridge	(6,752)	(6,240)	(6,679)	(6,679)
Transport & District Regeneration	Transportation	4,761	6,119	6,119	6,119
Total - A prosperous city		7,051	8,756	8,317	8,317

A proud and resilient city

Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Communities & Customer Engagement	Bereavement Services	212	212	212	212
Communities & Customer Engagement	Directorate & Portfolio Management	(106)	(106)	(106)	(106)
Communities & Customer Engagement	Grants to Voluntary Organisations	512	326	326	360
Communities & Customer Engagement	Libraries	1,943	1,943	1,943	1,943
Communities & Customer Engagement	Registration Services	(196)	(196)	(196)	(196)
Communities & Customer Engagement	Stronger Communities	1,060	1,060	1,060	1,026
Economic Development	Sustainability	2,051	2,051	2,051	2,051
Finance & Change	City Services – Management & Compliance	319	319	319	319
Finance & Change	City Services - Waste Operations	17,336	17,016	16,933	16,963
Housing & the Green Environment	Fleet Trading Area	(1,855)	(1,855)	(1,855)	(1,855)
Housing & the Green Environment	Landscape Trading Area	(108)	(108)	(108)	(108)
Housing & the Green Environment	Air Quality Monitoring	147	147	147	147
Housing & the Green Environment	City Services - Commercial Services	464	464	474	474
Housing & the Green Environment	City Services - District Operating Areas	4,157	4,052	4,052	4,052
Housing & the Green Environment	City Services - Trees & Ecology	848	835	835	835
Housing & the Green Environment	Flood Risk Management	204	204	204	204
Leader	City of Culture	172	211	224	254
Leader	Cultural Services	2,230	2,230	2,230	2,230
Safer City	Community Safety, Alcohol Related Crime, CCTV	291	291	291	291
Safer City	Environmental Health & Scientific Services	1,603	1,693	1,693	1,693
Safer City	Licensing	(109)	(109)	(109)	(109)
Safer City	Port Health	(618)	(618)	(618)	(618)
Total - A proud and resilient city		30,557	30,062	30,002	30,062

A successful, sustainable organisation

Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Communities & Customer Engagement	Customer Services	1,993	1,993	1,993	1,993
Economic Development	Central Repairs & Maintenance	2,086	2,796	2,796	2,796
Economic Development	Facilities	1,951	1,951	1,951	1,951
Economic Development	Property Portfolio Management	(6,857)	(7,269)	(7,919)	(7,919)
Economic Development	Property Services	2,670	2,670	2,670	2,670
Finance & Change	Accounts Payable	251	316	316	316
Finance & Change	Accounts Receivable	2,192	2,192	2,192	2,192
Finance & Change	Business Development Management Team	205	134	134	234
Finance & Change	Business Support	1,788	1,788	1,788	1,788
Finance & Change	Centrally Apportionable Overheads	(7,668)	(7,668)	(7,668)	(7,668)
Finance & Change	Commercialisation	(556)	(1,056)	(1,056)	(1,056)
Finance & Change	Corporate Finance	2,900	2,900	2,900	2,900
Finance & Change	Corporate Management	370	370	370	370
Finance & Change	Data & Intelligence	174	174	174	174
Finance & Change	Internal Audit	329	329	329	329
Finance & Change	IT Services	9,209	8,892	8,892	8,892
Finance & Change	Local Taxation & Benefits Services	2,372	2,372	2,372	2,372
Finance & Change	Pension & Redundancy Costs	1,229	1,229	1,229	1,229
Finance & Change	Projects, Policy & Performance	1,406	1,406	1,406	1,406
Finance & Change	Risk Management	1,674	1,674	1,674	1,674
Finance & Change	Supplier Management Services	1,552	1,345	1,156	967
Leader	Corporate Communications	862	862	862	862
Leader	Democratic Representation & Managemen	2,553	2,553	2,553	2,553
Leader	HR Services	3,438	3,438	3,438	3,438
Leader	Land Charges	(170)	(170)	(170)	(170)
Leader	Legal Services & Customer Relations	1,714	1,714	1,714	1,714
Leader	Registration of Electors and Elections Costs	569	464	464	569
Leader	Strategic Management of the Council	516	416	416	416
Net Housing Benefit Payments	Net Housing Benefit Payments	300	300	300	300
Safer City	Emergency Planning	116	116	116	116
Total - A successful, sustainable organisation		29,170	28,234	27,395	27,411

Strong Foundations for Life

Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Children & Learning	Children & Families First	2,916	2,911	2,911	2,911
Children & Learning	Divisional Management and Legal	3,792	3,361	3,361	3,361
Children & Learning	Education - Early Years and Asset Mgt	7,008	6,903	6,888	6,888
Children & Learning	Education - High Needs and Schools	5,441	5,651	5,651	5,651
Children & Learning	ICU - Children's Services	475	475	475	475
Children & Learning	MASH & CIN	(846)	(1,389)	(1,389)	(1,389)
Children & Learning	Pathways Through Care	29,953	29,622	29,257	29,257
Children & Learning	Quality Assurance Business Unit	2,558	2,111	2,088	2,088
Children & Learning	Safeguarding	9,308	8,176	8,176	8,176
Children & Learning	Skills	66	66	66	66
Children & Learning	Young Peoples Service	2,323	2,323	2,323	2,323
Children & Learning	DSG Central School Services Block	3,449	3,449	3,449	3,449
Children & Learning	DSG Early Years Block	13,830	13,830	13,830	13,830
Children & Learning	DSG High Needs Block	21,758	21,758	21,758	21,758
Children & Learning	DSG Schools Block	(39,044)	(39,044)	(39,044)	(39,044)
Health, Adults & Leisure	Adults - Adult Services Management	1,207	1,207	1,207	1,207
Health, Adults & Leisure	Adults - Long Term	50,669	47,982	47,982	47,982
Health, Adults & Leisure	Adults - Provider Services	4,339	4,339	4,339	4,339
Health, Adults & Leisure	Adults - Reablement & Hospital Discharge	8,251	8,251	8,251	8,251
Health, Adults & Leisure	Adults - Safeguarding AMH & OOH	9,905	9,905	9,905	9,905
Health, Adults & Leisure	ICU - Provider Relationships	12,097	12,097	12,097	12,097
Health, Adults & Leisure	ICU - System Redesign	1,828	1,828	1,828	1,828
Health, Adults & Leisure	Leisure Contracts	2,543	2,543	2,543	2,543
Health, Adults & Leisure	Leisure Strategy	96	96	96	96
Health, Adults & Leisure	Public Health - Health Improvement	1,703	1,703	1,703	1,703
Health, Adults & Leisure	Public Health - Health Protection and Surveillance	9,803	9,803	9,803	9,803
Health, Adults & Leisure	Public Health - Management & Overheads	(15,278)	(15,278)	(15,278)	(15,278)
Health, Adults & Leisure	Public Health - Population Healthcare	3,772	3,772	3,772	3,772
Housing & the Green Environment	Housing Needs	672	672	1,172	1,172
Total - Strong Foundations for Life		154,593	149,124	149,220	149,220

Centrally Held Budgets

Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Total - Centrally Held Budgets (see Annex 1.1(a) for details)		84	34,323	43,327	51,570

TOTAL NET REVENUE EXPENDITURE	221,455	250,499	258,261	266,580
--------------------------------------	----------------	----------------	----------------	----------------

This page is intentionally left blank

General Fund Earmarked Reserves (excluding Schools Balances)

	Balance As At 31/03/2022	Forecast Balance As At 31/03/2023	Forecast Balance As At 31/03/2024	Forecast Balance As At 31/03/2025	Forecast Balance As At 31/03/2026	Forecast Balance As At 31/03/2027
	£M	£M	£M	£M	£M	£M
Medium Term Financial Risk Reserve	57.05	28.37	10.31	10.31	12.31	14.31
Revenue Contributions to Capital	0.93	0.63	0.63	0.63	0.63	0.63
Revenue Grants Reserve	20.93	1.32	0.00	0.00	0.00	0.00
Portfolio Carry Forwards	4.49	1.34	0.00	0.00	0.00	0.00
PFI Sinking Fund	4.39	4.01	3.63	3.63	3.63	3.63
Insurance Reserve	2.37	1.70	1.70	1.70	1.70	1.70
On Street Parking	2.33	3.13	2.31	2.40	2.48	3.51
Other Reserves	3.71	2.11	2.07	2.03	1.98	1.94
DSG Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Total	96.19	42.61	20.65	20.70	22.73	25.72

This page is intentionally left blank

Agenda Item 10

Appendix 7

<u>HOUSING REVENUE ACCOUNT</u>	2022/23 Budget	2022/23 Forecast Q3	2023/24 Budget	2024/25 Budget	2025/26 Budget
	£M	£M	£M	£M	£M
Responsive & Cyclical repairs	20.63	21.43	21.53	21.73	22.36
Rents payable	0.10	0.20	0.20	0.21	0.21
Debt management	0.09	0.09	0.09	0.21	0.25
Supervision & management	25.05	25.51	25.66	26.98	27.68
Interest & principal repayments	5.16	4.76	5.71	7.82	9.60
Depreciation	23.76	21.86	22.57	23.75	24.64
Direct revenue financing of capital	2.54	2.38	4.00	5.82	4.21
Total Expenditure	77.34	76.23	79.77	86.51	88.95
Dwelling rents	(71.84)	(70.43)	(75.14)	(80.42)	(82.63)
Other rents	(1.18)	(1.47)	(1.24)	(1.35)	(1.40)
Service charge income	(2.34)	(2.35)	(2.34)	(3.70)	(3.88)
Leaseholder service charges	(1.05)	(1.05)	(1.05)	(1.05)	(1.05)
Interest received	0.00	0.00	0.00	0.00	0.00
Total Income	(76.41)	(75.30)	(79.77)	(86.51)	(88.95)
Savings Requirement	0.00	0.00	0.00	0.00	0.00
Working Balance B/Fwd	2.93	2.93	2.00	2.00	2.00
(Surplus) /Deficit for the Year	0.93	0.93	0.00	0.00	0.00
Working Balance C/Fwd	2.00	2.00	2.00	2.00	2.00

2026/27

Budget

£M

22.89

0.22

0.27

28.28

10.54

25.30

3.55

91.04

(84.53)

(1.44)

(4.03)

(1.05)

0.00

(91.04)

0.00

2.00

0.00

2.00

CIPFA financial management standards

Section 1: The responsibilities of the chief finance officer and leadership team

- A** The leadership team is able to demonstrate that the services provided by the authority provide value for money.
- B** The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government*.

Section 2: Governance and financial management style

- C** The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- D** The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
- E** The financial management style of the authority supports financial sustainability.

Section 3: Long to medium-term financial management

- F** The authority has carried out a credible and transparent financial resilience assessment.
- G** The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- H** The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- I** The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

Section 4: The annual budget

- J** The authority complies with its statutory obligations in respect of the budget setting process.
- K** The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

Section 5: Stakeholder engagement and business plans

- L** The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
- M** The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Section 6: Monitoring financial performance

- N** The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- O** The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

Section 7: External financial reporting

- P** The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- Q** The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

**SOUTHAMPTON CITY COUNCIL
COUNCIL TAX CALCULATION 2023/24**

	2022/23 £M	2023/24 £M	Change	
			£M	%
Budget Requirement (a)	193.17	221.45	28.29	14.64%
Less Non Domestic Rating Income	(44.67)	(47.45)		
Less Business Rates S31 Grants	(14.49)	(16.53)		
Less Top Up Payment/Plus Tariff	(4.63)	(5.36)		
Less Revenue Support Grant	(11.37)	(12.88)		
Other Central Grant Funding	(18.66)	(22.04)		
Aggregate External Finance	(93.82)	(104.25)	(10.44)	11.13%
Deficit/(Surplus) on Council Tax Collection Fund	(2.47)	0.26		
Deficit/(Surplus) on Business Rates Collection Fund	11.89	(1.69)		
Net General Grant Income & Business Rates (b)	(84.40)	(105.68)	(21.29)	25.22%
Amount to be met from Council Tax (a - b)	108.77	115.77	7.00	6.44%
Tax base	66,146.0	67,057.0	911.0	1.38%
Basic amount of Council Tax (Band D)	1,644.39	1,726.47	82.08	4.99%
Last years Council Tax		1,644.39		
Council Tax - General Increase	2.99%	49.19		
Council Tax - Adult Social Care Precept	2.00%	32.89		
Total Annual Cash Increase		82.08		
Total Increase (%)		4.99%		

This page is intentionally left blank

COLLECTION FUND ESTIMATES 2023/24

	2022/23 £000	2023/24 £000	Change £000	Change %
Southampton City Council Precept	108,769.8	115,771.9	7,002.1	6.44%
Hampshire Police Precept	15,640.9	16,862.2	1,221.3	7.81%
Fire and Rescue Services Precept	4,989.4	5,393.4	404.0	8.10%
Income due from Council Tax Payers	129,400.1	138,027.4	8,627.3	6.67%
Tax Base for Area	66,146.0	67,057.0	911.0	1.38%
Basic Amount of Tax for Band D Property	1,956.28	2,058.36	102.08	5.22%

SCC Council Tax increase per Property Band 2023/24

Band	SCC Band Charge	Council Tax Increase	SCC Band Charge	Police Band Charge	Fire & Rescue Band Charge	Total
	2022/23	4.99%	2023/24	2023/24	2023/24	2023/24
A	£1,096.26	54.72	£1,150.98	£167.64	£53.62	£1,372.24
B	£1,278.97	63.84	£1,342.81	£195.58	£62.56	£1,600.95
C	£1,461.68	72.96	£1,534.64	£223.52	£71.49	£1,829.65
D	£1,644.39	82.08	£1,726.47	£251.46	£80.43	£2,058.36
E	£2,009.81	100.32	£2,110.13	£307.34	£98.30	£2,515.77
F	£2,375.23	118.56	£2,493.79	£363.22	£116.18	£2,973.19
G	£2,740.65	136.80	£2,877.45	£419.10	£134.05	£3,430.60
H	£3,288.78	164.16	£3,452.94	£502.92	£160.86	£4,116.72

This page is intentionally left blank

Government Grants

	2022/23 Revised Estimate £M	2023/24 Estimate £M
General Government Grants		
Revenue Support Grant	11.37	12.88
Business Rates Retention Top-up	4.63	5.36
S31 Business Rates Grants	15.81	16.53
Social Care Grant	11.53	18.47
Services Grant	3.82	2.24
Other grants less than £1M	3.66	1.48
	50.81	56.96
Service Specific Government Grants		
Dedicated Schools Grant	149.07	159.50
Housing Benefit Grant	60.06	60.06
Public Health Grant	17.88	17.88
Council Tax Energy Rebate Scheme for Householders	14.67	
Improved Better Care Fund	10.70	10.70
Pupil Premium	9.75	10.23
Private Finance Initiative (PFI)	5.86	5.86
Mainstream School Additional Grant		3.58
Schools Supplementary Funding	2.85	
ASC Market Sustainability and Improvement Fund		2.60
Adult Social Care Discharge Fund		1.50
Family Hubs/Start for Life Programme		1.39
Rough Sleeper Initiative	1.37	1.18
Homelessness Prevention Grant	1.50	1.37
Holiday Activities and Food Programme	1.21	1.21
Unaccompanied Asylum Seeking Children	1.21	1.21
Universal Infants Free School Meals	1.21	1.15
Supplementary Substance Misuse Grant		1.07
Other grants less than £1M	14.31	10.47
	291.65	290.97
Total Government Grants	342.46	347.93

Grants less than £1M are not itemised

This page is intentionally left blank

Budget Pressures

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	<u>Additional Costs</u>						
23P3	Home to School Transport costs	Children & Learning	Education - Early Years and Asset Mgt	1,580	1,580	1,580	1,580
23P31	Staffing pressures within the Special Education Needs and Disabilities team	Children & Learning	Education - High Needs and Schools	175	385	385	385
23P39	Staffing pressures within the JIGSAW Team	Children & Learning	Education - High Needs and Schools	1,188	1,188	1,188	1,188
23P1	Expenditure pressures within Children's Services from continued high demand	Children & Learning	Pathways Through Care	10,504	9,626	9,714	9,714
23P9	Additional costs of the Coroners Service	Communities & Customer Engagement	Bereavement Services	300	300	300	300
23P15	Decarbonisation cost reductions not achievable	Economic Development	Sustainability	150	150	150	150
23P4	Energy - all services	Economic Development	Sustainability	3,030	3,030	3,030	3,030
23P25	Additional costs of client care management system	Finance & Change	Business Development Management Team	205	134	134	234
23P14	Waste Service cost reductions not achievable	Finance & Change	City Services - Waste Operations	460	600	630	660
23P41	Cost reductions within Customer Services not achievable	Finance & Change	Corporate Finance	110	110	110	110
23P24	Increase in audit fees	Finance & Change	Corporate Management	335	335	335	335
23P37	Inflationary pressures on the highways contract	Finance & Change	Highways Contracts	177	177	177	177
23P6	IT Services cost reductions not achievable	Finance & Change	IT Services	700	700	700	700
23P42	Saving from previous saving for up front payment of LGPS employer contributions no longer achievable due to higher interest rates	Finance & Change	Pension & Redundancy Costs	280	280	280	280
23P16	Staffing cost reductions within Supplier Management not achievable	Finance & Change	Supplier Management Services	301	301	301	301
23P29	Project costs for the Strategic Procurement Programme	Finance & Change	Supplier Management Services	207			
23P38	Investment in Adult Social Care community led support programme and system enhancements	Health, Adults & Leisure	Adults - Adult Services Management	180	180	180	180
23P2	Increased cost of care packages and cost of hospital discharges within Adult Social Care	Health, Adults & Leisure	Adults - Long Term	3,973	986	296	296
23P35	Inflationary pressures on leisure contracts	Health, Adults & Leisure	Leisure Contracts	350	350	350	350
23P40	Amendment to expenditure attributed to ring-fenced Public Health Grant	Health, Adults & Leisure	Public Health - Management & Overheads	139	139	139	139
23P5	Fuel cost rises	Housing & the Green Environment	City Services - District Operating Areas	120	120	120	120
23P12	Staffing cost pressures within Cultural Services	Leader	Cultural Services	220	220	220	220
23P13	Additional income target for Events not achievable	Leader	Cultural Services	86	86	86	86
23P32	Cost reductions within the PA Team not achievable	Leader	Democratic Representation & Management	115	115	115	115
23P34	Increased cost of Apprenticeship Levy	Leader	HR Services	89	89	89	89
23P43	Additional cost of running city wide local elections	Leader	Registration of Electors and Elections Costs	105			105
23P30	Increased cost of housing homelessness that does not attract housing benefit subsidy	Net Housing Benefit Payments	Net Housing Benefit Payments	300	300	300	300
23P22	Higher interest rates for borrowing to finance capital schemes	Non-Portfolio	Non-Portfolio	1,748	1,186	2,646	3,486
23P23	Increased costs of repaying borrowing (Minimum Revenue Provision)	Non-Portfolio	Non-Portfolio		1,000	1,000	1,000
23P36	Increased costs of repaying borrowing (Minimum Revenue Provision) - One Guildhall Square	Non-Portfolio	Non-Portfolio	51	53	55	57
	Total Additional Costs			27,178	23,721	24,610	25,687

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	Loss of Income						
23P11	Investment Property additional income target not achievable	Economic Development	Property Portfolio Management	250	250		
23P17	Estimated loss of income from court fees	Finance & Change	Local Taxation & Benefits Services	570	570	570	570
23P21	Fleet Services income shortfall following change in charge out policy	Housing & the Green Environment	Fleet Trading Area	80	80	80	80
23P10	Reduced income for Off Street Parking	Transport & District Regeneration	Parking & Itchen Bridge	140	180	180	180
23P20	Temporary closure of Itchen Bridge for capital works	Transport & District Regeneration	Parking & Itchen Bridge		439		
	Total Loss of Income			1,040	1,519	830	830
	TOTAL BUDGET PRESSURES			28,218	25,240	25,440	26,517

Budget pressures that relate to more than one service activity are shown where the majority applies

Savings Proposals

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	<u>Efficiency Savings</u>						
23S151	Review non-staffing budgets that supports families in need	Children & Learning	Children & Families First	(15)	(15)	(15)	(15)
23S165	Creation of framework agreement for temporary accommodation to support no recourse to public funds/homeless families	Children & Learning	Children & Families First	(10)	(15)	(15)	(15)
23S157	Increase public health funding for the PAUSE service which is preventing women having repeat removals of children to care	Children & Learning	Pathways Through Care	(72)	(72)	(72)	(72)
23S161	Reduction of one post in the Placements Service	Children & Learning	Pathways Through Care	(44)	(44)	(44)	(44)
23S159	Freeze Children and Learning Service Workforce Academy spending on promotional materials and staff conferences	Children & Learning	Quality Assurance Business Unit	(20)	(20)	(20)	(20)
23S169	Review of Emergency Duty arrangements across Children's and Adults services	Children & Learning	Safeguarding		(100)	(100)	(100)
23S39	Review the Strategic Skills non-staffing budgets	Children & Learning	Skills	(13)	(13)	(13)	(13)
23S160	Redesign of Young People's, Missing, Exploited, Trafficked and Youth Justice Service	Children & Learning	Young Peoples Service	(111)	(111)	(111)	(111)
23S170	Review of Asset management budgets within Education portfolio	Children & Learning	Education - Early Years and Asset Mgt	(60)	(60)	(60)	(60)
23S173	Review of Education non-staffing budgets	Children & Learning	Education - Early Years and Asset Mgt	(47)	(47)	(47)	(47)
23S89	Review the Digital and Customer Experience budget	Communities & Customer Engagement	Customer Services	(5)	(5)	(5)	(5)
23S119	Transfer Cobbett Road Library to a third party operator (subject to fulfilling Council requirements)	Communities & Customer Engagement	Libraries	(70)	(70)	(70)	(70)
23S80	Closure of the Civic Centre between the winter bank holidays to reduce building management costs (heating etc.)	Economic Development	Facilities	(8)	(8)	(8)	(8)
23S81	A restructure of the Facilities Management Team to realise efficiencies	Economic Development	Facilities	(50)	(50)	(50)	(50)
23S82	A reduction in available budget for equipment within the Facilities Management Team	Economic Development	Facilities	(31)	(31)	(31)	(31)
23S83	Spending less on external building security provisions with external providers	Economic Development	Facilities	(20)	(20)	(20)	(20)
23S84	Closing areas of Civic Centre office spaces on one day a week in line with demand to reduce building running costs	Economic Development	Facilities	(20)	(20)	(20)	(20)
23S85	Consolidation of building cleaning activities and resources under one contract to bring efficiencies / economies of scale including the Civic Centre	Economic Development	Facilities	(60)	(60)	(60)	(60)
23S205	Efficiency from Civic Centre energy controls	Economic Development	Facilities	(60)	(60)	(60)	(60)
23S33	Building Control review of budget and reserves	Economic Development	Planning	(25)			
23S16	Restructure the Property service area to remove long-term vacancies and conversion of interim posts to permanent positions	Economic Development	Property Services	(370)	(370)	(370)	(370)
23S18	Capitalise structural repairs and maintenance and fund from borrowing to create a one-off savings in revenue	Economic Development	Central Repairs & Maintenance	(710)			
23S19	Review property repairs and maintenance budget against essential spend criteria	Economic Development	Central Repairs & Maintenance	(140)	(140)	(140)	(140)
23S20	Relocate services from One Guildhall Square into the Civic Centre and rent out vacated space	Economic Development	Property Portfolio Management	(300)	(608)	(1,008)	(1,008)
23S17	Review training and supplies budgets within the Property service area	Economic Development	Property Services	(15)	(15)	(15)	(15)

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
23S21	Maximise capitalisation of Property staff time spent on capital projects	Economic Development	Property Services	(30)	(30)	(30)	(30)
23S22	Increase Property team's charge out hourly rates in line with salary increases	Economic Development	Property Services	(40)	(40)	(40)	(40)
23S58	Improve and automate business support processes as part of transformation programme	Finance & Change	Business Support	(290)	(290)	(290)	(290)
23S193	Reduce 1 Internal Audit from full-time to part-time - to reflect actual staffing level	Finance & Change	Internal Audit	(20)	(20)	(20)	(20)
23S40	IT - Staffing - post restructure review	Finance & Change	IT Services	(90)	(90)	(90)	(90)
23S41	Remove additional Unified Support Services contract and place reliance on basic support from Microsoft	Finance & Change	IT Services		(175)	(175)	(175)
23S43	Remove MS Visio licenses	Finance & Change	IT Services	(4)	(4)	(4)	(4)
23S45	Tether (share) connectivity from one mobile device to another to reduce the number of mobile SIM contracts needed	Finance & Change	IT Services	(12)	(12)	(12)	(12)
23S46	Review all parking permits and remove where roles have changed and no longer required	Finance & Change	IT Services	(4)	(4)	(4)	(4)
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	Finance & Change	IT Services	(75)	(75)	(75)	(75)
23S48	Rationalise the number of mobile SIM contracts in use across the Council	Finance & Change	IT Services	(66)	(66)	(66)	(66)
23S49	Migrate remaining users from the Avaya phone system to Teams telephony and decommission the Avaya system.	Finance & Change	IT Services	(70)	(70)	(70)	(70)
23S174	Review agency staff spend in Intelligence, Innovation & Change Team	Finance & Change	Data & Intelligence	(40)	(40)	(40)	(40)
23S176	Review of policy related roles across the organisation to understand any synergies and whether additional income can be obtained through funding opportunities	Finance & Change	Data & Intelligence	(75)	(75)	(75)	(75)
23S177	Delete vacant post within Intelligence, Innovation & Change Team	Finance & Change	Data & Intelligence	(44)	(44)	(44)	(44)
23S183	Reduce spend within Finance on postage, subscriptions and conferences	Finance & Change	Corporate Finance	(14)	(14)	(14)	(14)
23S184	Redesign of Finance service, including removal of vacant posts	Finance & Change	Corporate Finance	(162)	(162)	(162)	(162)
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	Finance & Change	Pension & Redundancy Costs	(1,330)	(1,330)	(1,330)	(1,330)
23S213	Improve performance on recovering duplicate payments	Finance & Change	Accounts Payable	(65)	0	0	0
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.	Housing & the Green Environment	Fleet Trading Area	(120)	(120)	(120)	(120)
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	Housing & the Green Environment	Landscape Trading Area	(255)	(255)	(255)	(255)

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
23S97	Adult Social Care - reduce agency staffing budgets/freeze vacancies	Health, Adults & Leisure	Adults - Adult Services Management	(850)	(850)	(850)	(850)
23S98	Proposal for Public Health Grant to be invested in activities delivering wider public health outcomes (with Director of Public Health oversight)	Health, Adults & Leisure	Adults - Adult Services Management	(500)	(500)	(500)	(500)
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	Health, Adults & Leisure	Adults - Long Term	(100)	(150)	(150)	(150)
23S95	Adult Social Care - shift to home first policy, avoiding need for residential placement	Health, Adults & Leisure	Adults - Long Term	(134)	(473)	(473)	(473)
23S31	Review of the Green Cities studies budget	Housing & the Green Environment	Air Quality Monitoring	(7)	(7)	(7)	(7)
23S113	Review of the schools grounds maintenance contract in 2024	Housing & the Green Environment	City Services - Commercial Services			(60)	(60)
23S30	Progression of the Coastal Partners partnership arrangement and review of Flood Team studies budget	Housing & the Green Environment	Flood Risk Management	(22)	(22)	(22)	(22)
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	Housing & the Green Environment	City Services - District Operating Areas	(28)	(28)	(28)	(28)
23S108	Auction off 3 diesel sweepers, increase the electric vehicle capacity and introduce a new shift pattern for the street cleansing team	Housing & the Green Environment	City Services - District Operating Areas		(75)	(75)	(75)
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	Housing & the Green Environment	City Services - District Operating Areas	(30)	(60)	(60)	(60)
23S87	Improve efficiency of printing across the organisation	Leader	Corporate Communications	(30)	(30)	(30)	(30)
23S88	Marketing and advertising activity efficiencies	Leader	Corporate Communications	(20)	(20)	(20)	(20)
23S212	Founding partner contributions to Cultural Trust to deliver City of Culture legacy will be made from existing budgets	Leader	City of Culture	(82)	(43)	(30)	
23S76	Redesign of the Human Resources & Organisational Development service following the senior management restructure	Leader	HR Services	(154)	(154)	(154)	(154)
23S50	Legal Services staffing restructure	Leader	Legal Services & Customer Relations	(54)	(54)	(54)	(54)
23S51	Stop using the DX postal service	Leader	Legal Services & Customer Relations	(9)	(9)	(9)	(9)
23S52	Reduction in Legal Services books budget to essential texts only	Leader	Legal Services & Customer Relations	(10)	(10)	(10)	(10)
23S53	Reduction in Legal Services attendance at external courses to mandatory only	Leader	Legal Services & Customer Relations	(2)	(2)	(2)	(2)
23S54	Deletion of Records Management part-time post	Leader	Legal Services & Customer Relations	(13)	(13)	(13)	(13)
23S55	Deletion of apprentice post within Complaints Team after end of current fixed term contract	Leader	Legal Services & Customer Relations	(24)	(24)	(24)	(24)
23S57	Review potential for a new legal services partnership with new partner council	Leader	Legal Services & Customer Relations	(60)	(60)	(60)	(60)
23S142	Review need for vacant Community Safety Warden post	Safer City	Community Safety, Alcohol Related Crime, CCTV	(35)	(35)	(35)	(35)

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
23S139	Review allocation of staffing costs between on street and off street parking	Transport & District Regeneration	Parking & Itchen Bridge	(30)	(30)	(30)	(30)
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	Transport & District Regeneration	Transportation	(35)	(35)	(35)	(35)
23S27	Revenue savings from road safety review	Transport & District Regeneration	Transportation	(19)	(19)	(19)	(19)
23S28	Review in Transport Policy studies budget	Transport & District Regeneration	Transportation	(81)	(31)	(31)	(31)
23S9	Concessionary fares - reduced operator claims linked to reduced demand and payments on actual patronage	Transport & District Regeneration	Transportation	(1,787)	(434)	(434)	(434)
23S1	Remove budget provision for Health & Social Care Levy	All	All	(1,131)	(1,131)	(1,131)	(1,131)
23S2	Review of vacancy assumption on salary budgets (by 1%) across the council reflecting the turnover in staff budgets and as and when vacancies occur to manage the use of resources flexibly	All	All	(1,246)	(1,246)	(1,246)	(1,246)
23S202	Procurement savings to be made across Council services on revenue contracts (further savings on capital contracts are expected)	All	All			(189)	(378)
23S209	Ensure appropriate application of contractual car user policy	All	All	(8)	(8)	(8)	(8)
23S3	Review of budget provision for training, conferences and seminars etc reflecting new ways of working more remotely	All	All	(65)	(65)	(65)	(65)
23S8	Senior management restructure	All	All	(258)	(358)	(358)	(358)
23S207	Use of Community Infrastructure Levy instead of external borrowing	Non-Portfolio	Non-Portfolio	(600)	(600)	(600)	(600)
23S208	Use of internal borrowing via SCC own reserves and balances to offset as much external borrowing as possible	Non-Portfolio	Non-Portfolio	(1,800)	(1,800)	(1,800)	(1,800)
23S7	Capital financing impact of capital programme review in light of slippage/rephasing and programme amendments	Non-Portfolio	Non-Portfolio	(4,670)	(3,030)	(2,930)	(2,820)
	Total Efficiency Savings			(18,975)	(16,275)	(16,811)	(16,860)

Ref No	Summary/Impact of Proposal	Portfolio	Service Activity	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	<u>Income Generation</u>						
23S134	Increase income from cremation	Communities & Customer Engagement	Bereavement Services	(100)	(100)	(100)	(100)
23S137	Increase burial income	Communities & Customer Engagement	Bereavement Services	(25)	(25)	(25)	(25)
23S138	Increase the number of ceremonies being undertaken by the Registration Service	Communities & Customer Engagement	Registration Services	(25)	(25)	(25)	(25)
23S32	Investigate options for an increase to the S106 administration fee	Economic Development	Planning	(5)	(5)	(5)	(5)
23S11	Increase income from the City Golf Course	Housing & the Green Environment	City Services - Commercial Services	(70)	(70)		
23S105	Review proposals to increase allotment income	Housing & the Green Environment	City Services - Trees & Ecology		(13)	(13)	(13)
23S86	Generate income from outdoor advertising being managed on council land	Leader	Corporate Communications	(50)	(50)	(50)	(50)
23S115	Increased museum income from various streams	Leader	Culture Services	(48)	(48)	(48)	(48)
23S56	Increase income for Legal Services work on S106 agreements	Leader	Legal Services & Customer Relations	(5)	(5)	(5)	(5)
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	Transport & District Regeneration	Parking & Itchen Bridge	(400)	(440)	(440)	(440)
23S132	Remove concessions for Itchen Bridge charges for electric vehicles, subject to Traffic Regulation Order consultation and response	Transport & District Regeneration	Parking & Itchen Bridge	(10)	(14)	(14)	(14)
23S133	Reinstate multi-storey car park evening charges	Transport & District Regeneration	Parking & Itchen Bridge	(20)	(20)	(20)	(20)
23S143	Review/simplification of parking tariffs	Transport & District Regeneration	Parking & Itchen Bridge	(187)	(250)	(250)	(250)
23S29	Extension of e-scooter trials to 2024 and generate income via third party contract	Transport & District Regeneration	Transportation	(50)			
23S195	Review fees & charges across the Council	All	All	(165)	(665)	(665)	(665)
23S182	Increase Treasury Management investment yield via longer term investing	Non-Portfolio	Non-Portfolio	(90)	(90)	(90)	(90)
	Total Income Generation			(1,250)	(1,820)	(1,750)	(1,750)
	<u>Other Savings</u>						
23S145	Meet homelessness service staff costs from ringfenced grant funding	Housing & the Green Environment	Housing Needs	(500)	(500)		
23S141	One-off contribution from Trading Standards South East	Safer City	Environmental Health & Scientific Services	(70)			
23S186	Look at options for energy cost efficiency and environmental benefit, through part-night residential street lighting - see Annex 1.7 for further details	Finance & Change	Highways Contracts	(428)	(428)	(428)	(428)
23S140	Use on street parking surpluses to fund highways capital projects to reduce borrowing costs	Non-Portfolio	Non-Portfolio	(60)	(150)	(200)	(230)
23S196	Insurance Fund - review of sum needed within Insurance Fund	Non-Portfolio	Non-Portfolio	(750)			
	Total Other Savings			(1,808)	(1,078)	(628)	(658)
	TOTAL SAVINGS			(22,033)	(19,173)	(19,189)	(19,268)

Savings that relate to more than one service activity are shown where the majority applies

This page is intentionally left blank

Part-Night Street Lighting

Following the Council's budget consultation process, street lighting will automatically be switched off between 01:00 and 04:00 each night in residential areas only. Street lighting will not be switched off at the locations listed below; these exemptions from the part-night street lighting approach will collectively be known as the 'Part-night Street Lighting Exemptions Scheme' ("the Scheme"):

- The City Centre;
- District and local shopping centres including those in Bitterne, Woolston, Portswood and Shirley;
- The Classified Road network;
- Main roads across the city (typically the roads in and out of residential areas and/or key bus routes);
- Key Closed Circuit TeleVision ("CCTV") monitoring locations;
- Areas of high public patronage such as hospitals and community hubs;
- Known anti-social behaviour hotspots;
- Certain streets due to traffic calming measures;
- Roads on which there are high risks of traffic accidents;
- Parks in which street lighting is in operation;
- Safe routes home
- Lighting which is not on the public highway such as Council Housing and Leisure land.

Regular reviews of part-night street lighting will take place during the first 12 months of its operation. These reviews will include consideration of views expressed by residents, businesses and partners and responded to accordingly.

The Scheme will be flexible; amendments to the Scheme must be approved the Head of Supplier Management following consultation with the Cabinet Member for Transport and District Regeneration. Amendments to the Scheme may, for example, follow representations from the police concerning crime or the risk of crime in particular locations. All amendments to the extent of areas covered in the city or changes to the exemptions list will be subject to consultation with the Police and the City Council's Community Safety team.

This page is intentionally left blank

Movements in Budget Shortfall - November 2022 Cabinet Report to February 2023

Movements	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Budget shortfall from November 2022 Cabinet report	28,898	26,229	26,096	31,565
Changes to Funding:				
Additional Social Care Grant	(6,561)	(9,517)	(9,535)	(9,552)
Additional Revenue Support Grant	(1,179)	(1,876)	(2,309)	(2,673)
Reduction in Services Grant	1,577	2,361	2,796	3,160
Removal of Lower Tier Services Grant	447	447	447	447
Extension of New Homes Bonus for a further year	(214)			
Other changes to grants	(95)	(85)	(77)	(69)
Changes to Collection Fund estimates	(537)	(3,236)	(4,704)	(10,688)
	(6,561)	(11,906)	(13,382)	(19,376)
Changes to Use of Reserves:				
Use of funds carried forward from 2021/22	(1,928)			
Replenish corporate reserves		2,000	2,000	2,000
Call on reserves for initial estimate of potential redundancy costs	(2,000)	(2,000)		
Further use of reserves to support the budget	(18,059)			
	(21,986)	0	2,000	2,000
Changes to Budget and Inflationary Pressures:				
Amendments to draft pressures	(2,607)	(2,566)	(3,939)	(3,717)
New pressures	3,494	3,442	3,344	3,651
Additional inflationary and pay award pressures	3,087	7,969	8,916	9,625
Additions to centrally held contingency	3,948	4,400	3,400	4,400
	7,922	13,244	11,720	13,959
Changes to Savings Proposals:				
Amendments to draft savings proposals	540	2,656	5,157	5,788
New savings proposals	(5,520)	(5,621)	(5,528)	(5,548)
	(4,980)	(2,965)	(371)	240
Additional Council Tax/Adult Social Care Precept Flexibilities:				
Additional 1% core council tax	(1,097)	(1,127)	(1,168)	(1,201)
2% Adult Social Care Precept	(2,196)	(2,255)	(2,334)	(2,400)
	(3,293)	(3,382)	(3,502)	(3,601)
Revised budget shortfall	0	21,220	22,561	24,787

Numbers are rounded

This page is intentionally left blank

2023/24 Net Revenue Expenditure Budget Adjustments by Service Activity

A prosperous city

Portfolio	Service Activity	Approved Budget Feb 2022 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	MTFS Adjustments £000	Total Budget Feb 2023 £000
Children & Learning	Skills, Regeneration & Partnership	300	114	0	0	0	0	414
Economic Development	Economic Development	9	58	0	0	0	0	67
Economic Development	Planning	86	73	0	0	(30)	0	129
Economic Development	Social Fund & Property	284	0	0	0	0	0	284
Finance & Change	Highways Contracts	6,431	0	869	1,047	(428)	0	7,919
Housing & the Green Environment	Private Sector Housing	177	51	0	0	0	0	228
Transport & District Regeneration	Parking & Itchen Bridge	(6,260)	16	0	140	(647)	0	(6,752)
Transport & District Regeneration	Transportation	6,417	266	0	0	(1,922)	0	4,761
Total - A prosperous city		7,443	579	869	1,187	(3,027)	0	7,051

A proud and resilient city

Portfolio	Service Activity	Approved Budget Feb 2022 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	MTFS Adjustments £000	Total Budget Feb 2023 £000
Communities & Customer Engagement	Bereavement Services	(9)	45	0	300	(125)	0	212
Communities & Customer Engagement	Directorate & Portfolio Management	(100)	(5)	0	0	0	0	(106)
Communities & Customer Engagement	Grants to Voluntary Organisations	526	(14)	0	0	0	0	512
Communities & Customer Engagement	Libraries	1,937	76	0	0	(70)	0	1,943
Communities & Customer Engagement	Registration Services	(208)	37	0	0	(25)	0	(196)
Communities & Customer Engagement	Stronger Communities	957	103	0	0	0	0	1,060
Economic Development	Sustainability	(267)	8	0	2,310	0	0	2,051
Finance & Change	City Services – Management & Compliance	292	27	0	0	0	0	319
Finance & Change	City Services - Waste Operations	15,160	368	1,349	460	0	0	17,336
Housing & the Green Environment	Fleet Trading Area	(1,907)	92	0	80	(120)	0	(1,855)
Housing & the Green Environment	Landscape Trading Area	88	59	0	0	(255)	0	(108)
Housing & the Green Environment	Air Quality Monitoring	268	(114)	0	0	(7)	0	147
Housing & the Green Environment	City Services - Commercial Services	399	135	0	0	(70)	0	464
Housing & the Green Environment	City Services - District Operating Areas	3,738	357	0	120	(58)	0	4,157
Housing & the Green Environment	City Services - Trees & Ecology	718	131	0	0	(1)	0	848
Housing & the Green Environment	Flood Risk Management	270	(44)	0	0	(22)	0	204
Leader	City of Culture	293	(39)	0	0	(82)	0	172
Leader	Cultural Services	1,726	246	0	306	(48)	0	2,230
Safer City	Community Safety, Alcohol Related Crime, CCTV	310	16	0	0	(35)	0	291
Safer City	Environmental Health & Scientific Services	1,682	(18)	0	0	(70)	10	1,603
Safer City	Licensing	(154)	45	0	0	0	0	(109)
Safer City	Port Health	(651)	32	0	0	0	0	(618)
Total - A proud and resilient city		25,066	1,544	1,349	3,576	(987)	10	30,557

A successful, sustainable organisation

Portfolio	Service Activity	Approved Budget Feb 2022 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	MTFS Adjustments £000	Total Budget Feb 2023 £000
Communities & Customer Engagement	Customer Services	1,764	234	0	0	(5)	0	1,993
Economic Development	Central Repairs & Maintenance	2,871	0	65	0	(850)	0	2,086
Economic Development	Facilities	2,118	82	0	0	(249)	0	1,951
Economic Development	Property Portfolio Management	(6,787)	0	0	250	(320)	0	(6,857)
Economic Development	Property Services	2,878	227	0	0	(435)	0	2,670
Finance & Change	Accounts Payable	454	(138)	0	0	(65)	0	251
Finance & Change	Accounts Receivable	2,158	34	0	0	0	0	2,192
Finance & Change	Business Development Management Team	0	0	0	205	0	0	205
Finance & Change	Business Support	1,721	296	0	0	(229)	0	1,788
Finance & Change	Centrally Apportionable Overheads	(8,541)	873	0	0	0	0	(7,668)
Finance & Change	Commercialisation	(396)	5	0	0	(165)	0	(556)
Finance & Change	Corporate Finance	2,602	364	0	110	(176)	0	2,900
Finance & Change	Corporate Management	(34)	69	0	335	0	0	370
Finance & Change	Data & Intelligence	315	18	0	0	(159)	0	174
Finance & Change	Internal Audit	332	16	0	0	(20)	0	329
Finance & Change	IT Services	8,258	129	442	700	(321)	0	9,209
Finance & Change	Local Taxation & Benefits Services	1,557	246	0	570	0	0	2,372
Finance & Change	Pension & Redundancy Costs	2,279	0	0	280	(1,330)	0	1,229
Finance & Change	Projects, Policy & Performance	1,338	129	0	0	(61)	0	1,406
Finance & Change	Risk Management	2,118	(580)	137	0	0	0	1,674
Finance & Change	Supplier Management Services	1,054	(10)	0	508	0	0	1,552
Leader	Corporate Communications	988	(26)	0	0	(100)	0	862
Leader	Democratic Representation & Managemen	2,571	(133)	0	115	0	0	2,553
Leader	HR Services	3,304	200	0	89	(154)	0	3,438
Leader	Land Charges	(170)	0	0	0	0	0	(170)
Leader	Legal Services & Customer Relations	1,686	205	0	0	(177)	0	1,714
Leader	Registration of Electors and Elections Costs	473	(9)	0	105	0	0	569
Leader	Strategic Management of the Council	721	52	0	0	(258)	0	516
Net Housing Benefit Payments	Net Housing Benefit Payments	0	0	0	300	0	0	300
Safer City	Emergency Planning	96	19	0	0	0	0	116
Total - A successful, sustainable organisation		27,731	2,302	644	3,567	(5,074)	0	29,170

Strong foundations for life

Portfolio	Service Activity	Approved Budget Feb 2022 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	MTFS Adjustments £000	Total Budget Feb 2023 £000
Children & Learning	Children & Families First	2,406	535	0	0	(25)	0	2,916
Children & Learning	Divisional Management and Legal	6,175	(2,443)	0	60	0	0	3,792
Children & Learning	Education - Early Years and Asset Mgt	5,352	169	0	1,580	(93)	0	7,008
Children & Learning	Education - High Needs and Schools	4,075	(358)	0	1,588	(14)	150	5,441
Children & Learning	ICU - Children's Services	475	0	0	0	0	0	475
Children & Learning	MASH & CIN	676	(1,523)	0	0	0	0	(846)
Children & Learning	Pathways Through Care	22,775	(971)	0	8,265	(117)	0	29,953
Children & Learning	Quality Assurance Business Unit	1,954	57	0	567	(20)	0	2,558
Children & Learning	Safeguarding	3,990	3,932	0	1,387	(2)	0	9,308
Children & Learning	Skills	73	5	0	0	(13)	0	66
Children & Learning	Young Peoples Service	880	1,555	0	0	(111)	0	2,323
Children & Learning	DSG Central School Services Block	3,449	(0)	0	0	0	0	3,449
Children & Learning	DSG Early Years Block	13,830	(0)	0	0	0	0	13,830
Children & Learning	DSG High Needs Block	21,260	498	0	0	0	0	21,758
Children & Learning	DSG Schools Block	(39,044)	0	0	0	0	0	(39,044)
Health, Adults & Leisure	Adults - Adult Services Management	2,349	28	0	180	(1,350)	0	1,207
Health, Adults & Leisure	Adults - Long Term	46,197	152	2,210	2,343	(234)	0	50,669
Health, Adults & Leisure	Adults - Provider Services	4,044	265	0	30	0	0	4,339
Health, Adults & Leisure	Adults - Reablement & Hospital Discharge	7,038	513	0	700	(0)	0	8,251
Health, Adults & Leisure	Adults - Safeguarding AMH & OOH	8,880	125	0	900	0	0	9,905
Health, Adults & Leisure	ICU - Provider Relationships	11,637	26	436	0	(3)	0	12,097
Health, Adults & Leisure	ICU - System Redesign	1,730	98	0	0	0	0	1,828
Health, Adults & Leisure	Leisure Contracts	1,549	168	476	350	0	0	2,543
Health, Adults & Leisure	Leisure Strategy	89	7	0	0	0	0	96
Health, Adults & Leisure	Public Health - Health Improvement	1,703	0	0	0	0	0	1,703
Health, Adults & Leisure	Public Health - Health Protection and Surveillance	9,803	0	0	0	0	0	9,803
Health, Adults & Leisure	Public Health - Management & Overheads	(15,417)	0	0	139	0	0	(15,278)
Health, Adults & Leisure	Public Health - Population Healthcare	3,772	0	0	0	0	0	3,772
Housing & the Green Environment	Housing Needs	1,172	0	0	0	(500)	0	672
Total - Strong Foundations for Life		132,873	2,840	3,123	18,089	(2,483)	150	154,593

Centrally Held Budgets

Total - Centrally Held Budgets (see Annex 1.1(a) for details)	31,985	(7,265)	(5,985)	1,799	(10,462)	(9,989)	84
--	---------------	----------------	----------------	--------------	-----------------	----------------	-----------

TOTAL NET REVENUE EXPENDITURE	225,098	0	0	28,218	(22,033)	(9,829)	221,454
--------------------------------------	----------------	----------	----------	---------------	-----------------	----------------	----------------

This page is intentionally left blank

Southampton City Council

CAPITAL STRATEGY

2023/24

Contents

Section 1 Introduction

1.1 Background

Section 2 Capital Expenditure and Financing

2.1 Estimates of Capital Expenditure

2.2 Governance

2.3 Methods of Funding

2.4 Gross Debt and Capital Financing Requirement

2.5 Asset Management

2.6 Asset Disposal

Section 3 Treasury Management

3.1 Background

3.2 Borrowing Strategy

3.3 Liability Benchmark

3.4 Affordable Borrowing Limit

3.5 Investment Strategy

3.6 Risk Management

3.7 Governance

Section 4 Investments for Service Purposes

4.1 Background

4.2 Governance

Section 5 Commercial Activities

5.1 Background

5.2 Governance

Section 6 Liabilities

6.1 Background

6.2 Governance

Section 7 Revenue Budget Implications

7.1 Background

7.2 Ratio of financing costs to net revenue stream

7.3 Sustainability

Section 8 Capacity and Skills

8.1 Background

Additional Information

1. MRP Strategy

2. Investment Strategy

	<u>SECTION 1 – INTRODUCTION</u>																																																																																				
1.1	Background																																																																																				
1.1.1	This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.																																																																																				
1.1.2	The Prudential Code requires the council to have in place a capital strategy that sets out the long term context in which capital expenditure decisions are made in order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.																																																																																				
1.1.3	Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised within this strategy.																																																																																				
	<u>SECTION 2 - CAPITAL EXPENDITURE AND FINANCING</u>																																																																																				
2.1	Estimates of Capital Expenditure																																																																																				
2.1.1	<p>Capital expenditure is where the Authority spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.</p> <p>In 2023/24 the Authority is planning capital expenditure of £146.18M, shown below:</p> <p><i>Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions</i></p> <table border="1"> <thead> <tr> <th>Capital Expenditure and Financing</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> </tr> <tr> <td></td> <td>Actual £M</td> <td>Forecast £M</td> <td>Forecast £M</td> <td>Forecast £M</td> <td>Forecast £M</td> <td>Forecast £M</td> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>69.31</td> <td>98.15</td> <td>92.84</td> <td>60.40</td> <td>38.10</td> <td>76.93</td> </tr> <tr> <td>HRA</td> <td>33.07</td> <td>38.25</td> <td>53.33</td> <td>75.03</td> <td>68.71</td> <td>26.49</td> </tr> <tr> <td>Total Expenditure</td> <td>102.38</td> <td>136.40</td> <td>146.18</td> <td>135.43</td> <td>106.80</td> <td>103.43</td> </tr> <tr> <td>Capital Receipts</td> <td>3.81</td> <td>2.24</td> <td>3.13</td> <td>15.85</td> <td>9.45</td> <td>2.16</td> </tr> <tr> <td>Capital Grants</td> <td>53.08</td> <td>53.39</td> <td>48.18</td> <td>33.43</td> <td>16.41</td> <td>42.38</td> </tr> <tr> <td>Contributions</td> <td>3.71</td> <td>18.93</td> <td>9.40</td> <td>9.20</td> <td>8.06</td> <td>1.25</td> </tr> <tr> <td>Major Repairs Allowance</td> <td>22.01</td> <td>21.86</td> <td>21.64</td> <td>24.69</td> <td>24.64</td> <td>22.97</td> </tr> <tr> <td>Direct Revenue Financing</td> <td>3.79</td> <td>2.45</td> <td>6.00</td> <td>6.82</td> <td>4.21</td> <td>1.68</td> </tr> <tr> <td>Council Resources - Borrowing</td> <td>15.97</td> <td>37.53</td> <td>57.83</td> <td>45.44</td> <td>44.04</td> <td>32.97</td> </tr> <tr> <td>Total Financing</td> <td>102.38</td> <td>136.40</td> <td>146.18</td> <td>135.43</td> <td>106.80</td> <td>103.43</td> </tr> </tbody> </table>	Capital Expenditure and Financing	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27		Actual £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M	General Fund	69.31	98.15	92.84	60.40	38.10	76.93	HRA	33.07	38.25	53.33	75.03	68.71	26.49	Total Expenditure	102.38	136.40	146.18	135.43	106.80	103.43	Capital Receipts	3.81	2.24	3.13	15.85	9.45	2.16	Capital Grants	53.08	53.39	48.18	33.43	16.41	42.38	Contributions	3.71	18.93	9.40	9.20	8.06	1.25	Major Repairs Allowance	22.01	21.86	21.64	24.69	24.64	22.97	Direct Revenue Financing	3.79	2.45	6.00	6.82	4.21	1.68	Council Resources - Borrowing	15.97	37.53	57.83	45.44	44.04	32.97	Total Financing	102.38	136.40	146.18	135.43	106.80	103.43
Capital Expenditure and Financing	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27																																																																															
	Actual £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M																																																																															
General Fund	69.31	98.15	92.84	60.40	38.10	76.93																																																																															
HRA	33.07	38.25	53.33	75.03	68.71	26.49																																																																															
Total Expenditure	102.38	136.40	146.18	135.43	106.80	103.43																																																																															
Capital Receipts	3.81	2.24	3.13	15.85	9.45	2.16																																																																															
Capital Grants	53.08	53.39	48.18	33.43	16.41	42.38																																																																															
Contributions	3.71	18.93	9.40	9.20	8.06	1.25																																																																															
Major Repairs Allowance	22.01	21.86	21.64	24.69	24.64	22.97																																																																															
Direct Revenue Financing	3.79	2.45	6.00	6.82	4.21	1.68																																																																															
Council Resources - Borrowing	15.97	37.53	57.83	45.44	44.04	32.97																																																																															
Total Financing	102.38	136.40	146.18	135.43	106.80	103.43																																																																															

	Due to changes in the accounting requirements for 'right to use leases, which the Council can choose to implement on 1 April 2022, the Authority is currently assessing what impact this will have on the Capital programme, Capital Financing Requirement (CFR) and MRP liability. It is unlikely to have a significant impact.																																																																																																																																																																																						
2.1.2	All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing is shown in Table 1 above.																																																																																																																																																																																						
2.1.3	The main General Fund capital projects are summarised below, in Table 2, by portfolio. It should be noted that following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments.																																																																																																																																																																																						
2.1.4	<p><i>Table 2: General Fund Major Projects By Programme</i></p> <table border="1"> <thead> <tr> <th>Programme</th> <th>Major Project</th> <th>2022/ 23 £M</th> <th>2023/ 2024 £M</th> <th>2024/ 2025 £M</th> <th>2025/ 2026 £M</th> <th>2026/ 2027 £M</th> <th>2027/ 2028 £M</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Children & Learning</td> <td>Early Years Expansion</td> <td>0.23</td> <td>0.23</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>School Capital Maintenance</td> <td>2.24</td> <td>2.23</td> <td>2.04</td> <td>0.35</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Secondary Review & Expansion</td> <td>8.94</td> <td>0.96</td> <td>2.99</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>SEND Review & Expansion</td> <td>5.11</td> <td>3.45</td> <td>3.89</td> <td>8.78</td> <td>25.82</td> <td>0.00</td> </tr> <tr> <td>Childrens Services - Residential/Assessment Unit</td> <td>0.05</td> <td>2.26</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Other</td> <td>1.74</td> <td>0.04</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td rowspan="2">Communities & Customer Engagement</td> <td>Crematorium Refurbishment</td> <td>0.51</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Other</td> <td>0.21</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td rowspan="2">Economic Development</td> <td>Property Portfolio Enhancements</td> <td>1.21</td> <td>1.69</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Corporate Council Buildings</td> <td>0.65</td> <td>0.67</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td rowspan="5">Finance & Change</td> <td>Digital & IT</td> <td>4.71</td> <td>2.23</td> <td>1.02</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Corporate Assets Decarbonisation Scheme (CADS)</td> <td>1.28</td> <td>4.65</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Materials Recycling Facility</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>3.45</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Transformation Programme</td> <td>1.20</td> <td>1.80</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Other</td> <td>0.39</td> <td>0.65</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td rowspan="3">Health, Adults & Leisure</td> <td>Outdoor Leisure</td> <td>1.68</td> <td>3.40</td> <td>15.00</td> <td>9.00</td> <td>1.01</td> <td>0.00</td> </tr> <tr> <td>Adult Social Care Projects</td> <td>0.19</td> <td>0.82</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Other</td> <td>0.52</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td rowspan="6">Housing & the Green Environment</td> <td>River Itchen Flood Alleviation Scheme (RIFAS)</td> <td>0.00</td> <td>0.50</td> <td>4.00</td> <td>4.20</td> <td>0.50</td> <td>1.00</td> </tr> <tr> <td>Fleet Investment</td> <td>2.02</td> <td>1.85</td> <td>1.00</td> <td>1.00</td> <td>1.00</td> <td>0.00</td> </tr> <tr> <td>Play Area Improvements</td> <td>0.31</td> <td>0.84</td> <td>0.35</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Parks Development Works</td> <td>2.13</td> <td>1.52</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Coastal Erosion Measures</td> <td>1.08</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Disabled Facilities Grant</td> <td>1.78</td> <td>3.39</td> <td>1.90</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> </tbody> </table>	Programme	Major Project	2022/ 23 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Children & Learning	Early Years Expansion	0.23	0.23	0.00	0.00	0.00	0.00	School Capital Maintenance	2.24	2.23	2.04	0.35	0.00	0.00	Secondary Review & Expansion	8.94	0.96	2.99	0.00	0.00	0.00	SEND Review & Expansion	5.11	3.45	3.89	8.78	25.82	0.00	Childrens Services - Residential/Assessment Unit	0.05	2.26	0.00	0.00	0.00	0.00	Other	1.74	0.04	0.00	0.00	0.00	0.00	Communities & Customer Engagement	Crematorium Refurbishment	0.51	0.00	0.00	0.00	0.00	0.00	Other	0.21	0.00	0.00	0.00	0.00	0.00	Economic Development	Property Portfolio Enhancements	1.21	1.69	0.00	0.00	0.00	0.00	Corporate Council Buildings	0.65	0.67	0.00	0.00	0.00	0.00	Finance & Change	Digital & IT	4.71	2.23	1.02	0.00	0.00	0.00	Corporate Assets Decarbonisation Scheme (CADS)	1.28	4.65	0.00	0.00	0.00	0.00	Materials Recycling Facility	0.00	0.00	0.00	3.45	0.00	0.00	Transformation Programme	1.20	1.80	0.00	0.00	0.00	0.00	Other	0.39	0.65	0.00	0.00	0.00	0.00	Health, Adults & Leisure	Outdoor Leisure	1.68	3.40	15.00	9.00	1.01	0.00	Adult Social Care Projects	0.19	0.82	0.00	0.00	0.00	0.00	Other	0.52	0.00	0.00	0.00	0.00	0.00	Housing & the Green Environment	River Itchen Flood Alleviation Scheme (RIFAS)	0.00	0.50	4.00	4.20	0.50	1.00	Fleet Investment	2.02	1.85	1.00	1.00	1.00	0.00	Play Area Improvements	0.31	0.84	0.35	0.00	0.00	0.00	Parks Development Works	2.13	1.52	0.00	0.00	0.00	0.00	Coastal Erosion Measures	1.08	0.00	0.00	0.00	0.00	0.00	Disabled Facilities Grant	1.78	3.39	1.90	0.00	0.00	0.00
Programme	Major Project	2022/ 23 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M																																																																																																																																																																																
Children & Learning	Early Years Expansion	0.23	0.23	0.00	0.00	0.00	0.00																																																																																																																																																																																
	School Capital Maintenance	2.24	2.23	2.04	0.35	0.00	0.00																																																																																																																																																																																
	Secondary Review & Expansion	8.94	0.96	2.99	0.00	0.00	0.00																																																																																																																																																																																
	SEND Review & Expansion	5.11	3.45	3.89	8.78	25.82	0.00																																																																																																																																																																																
	Childrens Services - Residential/Assessment Unit	0.05	2.26	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Other	1.74	0.04	0.00	0.00	0.00	0.00																																																																																																																																																																																
Communities & Customer Engagement	Crematorium Refurbishment	0.51	0.00	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Other	0.21	0.00	0.00	0.00	0.00	0.00																																																																																																																																																																																
Economic Development	Property Portfolio Enhancements	1.21	1.69	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Corporate Council Buildings	0.65	0.67	0.00	0.00	0.00	0.00																																																																																																																																																																																
Finance & Change	Digital & IT	4.71	2.23	1.02	0.00	0.00	0.00																																																																																																																																																																																
	Corporate Assets Decarbonisation Scheme (CADS)	1.28	4.65	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Materials Recycling Facility	0.00	0.00	0.00	3.45	0.00	0.00																																																																																																																																																																																
	Transformation Programme	1.20	1.80	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Other	0.39	0.65	0.00	0.00	0.00	0.00																																																																																																																																																																																
Health, Adults & Leisure	Outdoor Leisure	1.68	3.40	15.00	9.00	1.01	0.00																																																																																																																																																																																
	Adult Social Care Projects	0.19	0.82	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Other	0.52	0.00	0.00	0.00	0.00	0.00																																																																																																																																																																																
Housing & the Green Environment	River Itchen Flood Alleviation Scheme (RIFAS)	0.00	0.50	4.00	4.20	0.50	1.00																																																																																																																																																																																
	Fleet Investment	2.02	1.85	1.00	1.00	1.00	0.00																																																																																																																																																																																
	Play Area Improvements	0.31	0.84	0.35	0.00	0.00	0.00																																																																																																																																																																																
	Parks Development Works	2.13	1.52	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Coastal Erosion Measures	1.08	0.00	0.00	0.00	0.00	0.00																																																																																																																																																																																
	Disabled Facilities Grant	1.78	3.39	1.90	0.00	0.00	0.00																																																																																																																																																																																

		1000 Parking Spaces (GF)	1.37	0.00	0.00	0.00	0.00	0.00
		Other	1.82	0.41	0.00	0.00	0.00	0.00
	Leader	Heritage	2.17	4.46	2.35	0.75	0.00	0.00
	Safer City	Community Safety	0.66	0.00	0.00	0.00	0.00	0.00
	Transport & District Regeneration	Bridges Programme	0.63	1.46	4.50	0.00	0.00	0.00
		Highways Programme	16.31	15.08	9.54	0.75	0.00	0.00
		Integrated Transport	6.04	8.94	7.74	9.38	48.61	0.00
		Transforming Cities	27.89	19.89	0.01	0.00	0.00	0.00
		Future Transport Zone	3.02	8.18	4.08	0.44	0.00	0.00
		Other	0.07	1.26	0.00	0.00	0.00	0.00
		TOTAL	98.15	92.84	60.40	38.10	76.93	1.00

2.1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of new homes. The main programmes are shown below:

Table 3: HRA Major Projects By Programme

	2022/23 Forecast £'M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M
Improving Quality of Homes	9.509	10.845	7.480	7.580	7.480	9.310	52.204
Making Homes Energy Efficient	3.955	11.161	16.688	13.850	6.372	9.600	61.626
Making Homes Safe	14.985	17.262	14.432	11.305	7.670	6.780	72.434
Regeneration	2.493	6.648	30.728	31.033	0.872	-	71.774
Supporting Communities	4.632	3.412	1.400	1.400	1.400	1.679	13.923
Supporting Independent Living	2.680	4.005	4.305	3.540	2.700	3.050	20.280
	38.254	53.333	75.033	68.708	26.494	30.419	292.241

2.2 Governance

2.2.1 Service managers bid annually in November to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Change Authority Board (CAB) appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Cabinet members. The final capital programme is then presented to Cabinet and to Council in February each year.

This year has seen an increase focus on affordability, addressing health and safety concerns and opportunities for invest to save, given ongoing financial pressures and reducing resources. Capital construction costs have seen an unprecedented increase due to inflation and market volatility and the cost of borrowing to finance the programme has been affected by doubling interest rates. Unfortunately this has meant that the number of projects within the capital programme overall has reduced and few bids for new funding have been forthcoming.

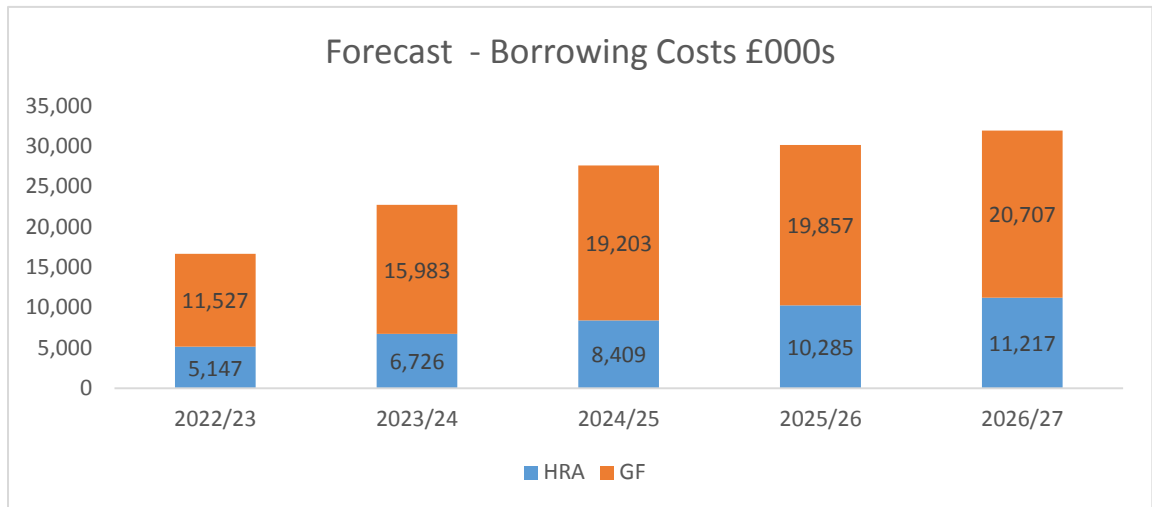
	The Capital Strategy for 2023/24 is incorporated into the Revenue Budget 2023/24, Medium Term Financial Forecast 2023/24 to 2026/27 and Capital Programme 2022/23 to 2027/28 report, presented to Council on 22 February 2023.
2.3	Methods of Funding
2.3.1	<p><u>Use of Leasing</u></p> <p>The council does have the option to lease assets utilising an operating lease arrangement, however with the flexibility afforded through Prudential Borrowing this source of financing has been less attractive. Going forward an options appraisal will be taken for each project, particularly fleet, as leasing provides the additional benefit of being able to upgrade to electric electric within the timeframe of the lease.</p>
2.3.2	<p><u>Local Enterprise Partnership (LEP) Funding</u></p> <p>Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process to award funding is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council. Central Government is currently undertaking a review of the scope and governance surrounding LEP's, which is likely to have an effect on future funding.</p>
2.3.3	<p><u>Tax Increment Financing (TIF)</u></p> <p>The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF, as an incentive to grow local economies and attract new businesses to areas. In essence TIF allows councils to borrow against future increases in Business Rate revenues generated as a result of local developments and growth. By capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.</p>
2.3.4	<p><u>S106 Agreements</u></p> <p>S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it. These contributions are site specific or can be 'pooled' for a maximum of 5 site specific projects. Any contributions received are 'ring-fenced' for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified. S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art. However, since the council adopted CIL the planning obligations</p>

	<p>sought within S106 agreements have been scaled back to deal with only site specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.</p> <p>The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.</p>
2.3.5	<p><u>Community Infrastructure Levy (CIL)</u></p> <p>CIL was adopted by the council in September 2013. CIL contributions are determined by set rates as detailed within the council’s CIL Charging Schedule, and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.</p> <p>The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.</p> <p>The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations. In addition, SCC have opted to continue to seek S106 contributions for transport. All other S106s contributions are now agreed through CIL.</p> <p>The Localism Act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding could be used towards a significant number of the council’s current programmes i.e. School Expansion and the Roads Programme.</p> <p>The CIL funding can be used to fund existing schemes within the current General Fund capital programme that meet the definition of infrastructure. The previous agreed approach is to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.</p> <p>However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the ward that the receipt originated from, in consultation and agreement with the local community.</p> <p>Given the increasing interest rates and therefore cost of borrowing, a significant sum of the current balance will be used to reduce borrowing and support the enhancement of ongoing infrastructure projects.</p>

2.3.6	<p>Private Finance Initiative (PFI)</p> <p>Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.</p> <p>Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the council.</p> <p>No additional PFI projects are anticipated. Any such proposals would be presented to the EMB for evaluation before presentation for Members approval.</p>																																																																						
2.4	<p>Gross Debt and the Capital Financing Requirement</p>																																																																						
2.4.1	<p>Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The Authority's full MRP Strategy is detailed in annex 2.1.</p>																																																																						
2.4.2	<p>The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £44.87M during 2023/24.</p>																																																																						
2.4.3	<p>CFR is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as detailed in table 4 below.</p>																																																																						
2.4.4	<p><i>Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £M</i></p> <table border="1"> <thead> <tr> <th data-bbox="300 1496 683 1608">Capital Financing Requirement</th> <th data-bbox="691 1496 810 1608">31-Mar-22 Actual £M</th> <th data-bbox="818 1496 938 1608">31-Mar-23 Forecast £M</th> <th data-bbox="946 1496 1066 1608">31-Mar-24 Forecast £M</th> <th data-bbox="1074 1496 1193 1608">31-Mar-25 Forecast £M</th> <th data-bbox="1201 1496 1321 1608">31-Mar-26 Forecast £M</th> <th data-bbox="1329 1496 1449 1608">31-Mar-27 Forecast £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1612 683 1641">Balance Brought forward</td> <td data-bbox="691 1612 810 1641">337.18</td> <td data-bbox="818 1612 938 1641">339.15</td> <td data-bbox="946 1612 1066 1641">352.27</td> <td data-bbox="1074 1612 1193 1641">370.77</td> <td data-bbox="1201 1612 1321 1641">372.61</td> <td data-bbox="1329 1612 1449 1641">371.52</td> </tr> <tr> <td data-bbox="300 1646 683 1675">New Capital Borrowing</td> <td data-bbox="691 1646 810 1675">12.68</td> <td data-bbox="818 1646 938 1675">24.55</td> <td data-bbox="946 1646 1066 1675">31.47</td> <td data-bbox="1074 1646 1193 1675">16.76</td> <td data-bbox="1201 1646 1321 1675">13.63</td> <td data-bbox="1329 1646 1449 1675">32.97</td> </tr> <tr> <td data-bbox="300 1680 683 1709">MRP</td> <td data-bbox="691 1680 810 1709">(6.89)</td> <td data-bbox="818 1680 938 1709">(7.93)</td> <td data-bbox="946 1680 1066 1709">(9.31)</td> <td data-bbox="1074 1680 1193 1709">(10.58)</td> <td data-bbox="1201 1680 1321 1709">(10.87)</td> <td data-bbox="1329 1680 1449 1709">(10.88)</td> </tr> <tr> <td data-bbox="300 1713 683 1742">Movement in Other Liabilities</td> <td data-bbox="691 1713 810 1742">(3.82)</td> <td data-bbox="818 1713 938 1742">(3.50)</td> <td data-bbox="946 1713 1066 1742">(3.66)</td> <td data-bbox="1074 1713 1193 1742">(4.34)</td> <td data-bbox="1201 1713 1321 1742">(3.85)</td> <td data-bbox="1329 1713 1449 1742">(3.58)</td> </tr> <tr> <td data-bbox="300 1747 683 1776">Total General Fund Debt</td> <td data-bbox="691 1747 810 1776">339.15</td> <td data-bbox="818 1747 938 1776">352.27</td> <td data-bbox="946 1747 1066 1776">370.77</td> <td data-bbox="1074 1747 1193 1776">372.61</td> <td data-bbox="1201 1747 1321 1776">371.52</td> <td data-bbox="1329 1747 1449 1776">390.03</td> </tr> <tr> <td data-bbox="300 1780 683 1809">HRA</td> <td data-bbox="691 1780 810 1809">168.73</td> <td data-bbox="818 1780 938 1809">181.70</td> <td data-bbox="946 1780 1066 1809">208.07</td> <td data-bbox="1074 1780 1193 1809">236.74</td> <td data-bbox="1201 1780 1321 1809">267.15</td> <td data-bbox="1329 1780 1449 1809">267.15</td> </tr> <tr> <td data-bbox="300 1814 683 1843">Total CFR</td> <td data-bbox="691 1814 810 1843">507.88</td> <td data-bbox="818 1814 938 1843">533.97</td> <td data-bbox="946 1814 1066 1843">578.84</td> <td data-bbox="1074 1814 1193 1843">609.35</td> <td data-bbox="1201 1814 1321 1843">638.67</td> <td data-bbox="1329 1814 1449 1843">657.18</td> </tr> <tr> <td data-bbox="300 1848 683 1877">Less Other Debt Liabilities*</td> <td data-bbox="691 1848 810 1877">(60.62)</td> <td data-bbox="818 1848 938 1877">(57.10)</td> <td data-bbox="946 1848 1066 1877">(53.46)</td> <td data-bbox="1074 1848 1193 1877">(49.12)</td> <td data-bbox="1201 1848 1321 1877">(45.27)</td> <td data-bbox="1329 1848 1449 1877">(41.69)</td> </tr> <tr> <td data-bbox="300 1881 683 1910">Loans CFR</td> <td data-bbox="691 1881 810 1910">447.26</td> <td data-bbox="818 1881 938 1910">476.87</td> <td data-bbox="946 1881 1066 1910">525.38</td> <td data-bbox="1074 1881 1193 1910">560.23</td> <td data-bbox="1201 1881 1321 1910">593.40</td> <td data-bbox="1329 1881 1449 1910">615.49</td> </tr> </tbody> </table>	Capital Financing Requirement	31-Mar-22 Actual £M	31-Mar-23 Forecast £M	31-Mar-24 Forecast £M	31-Mar-25 Forecast £M	31-Mar-26 Forecast £M	31-Mar-27 Forecast £M	Balance Brought forward	337.18	339.15	352.27	370.77	372.61	371.52	New Capital Borrowing	12.68	24.55	31.47	16.76	13.63	32.97	MRP	(6.89)	(7.93)	(9.31)	(10.58)	(10.87)	(10.88)	Movement in Other Liabilities	(3.82)	(3.50)	(3.66)	(4.34)	(3.85)	(3.58)	Total General Fund Debt	339.15	352.27	370.77	372.61	371.52	390.03	HRA	168.73	181.70	208.07	236.74	267.15	267.15	Total CFR	507.88	533.97	578.84	609.35	638.67	657.18	Less Other Debt Liabilities*	(60.62)	(57.10)	(53.46)	(49.12)	(45.27)	(41.69)	Loans CFR	447.26	476.87	525.38	560.23	593.40	615.49
Capital Financing Requirement	31-Mar-22 Actual £M	31-Mar-23 Forecast £M	31-Mar-24 Forecast £M	31-Mar-25 Forecast £M	31-Mar-26 Forecast £M	31-Mar-27 Forecast £M																																																																	
Balance Brought forward	337.18	339.15	352.27	370.77	372.61	371.52																																																																	
New Capital Borrowing	12.68	24.55	31.47	16.76	13.63	32.97																																																																	
MRP	(6.89)	(7.93)	(9.31)	(10.58)	(10.87)	(10.88)																																																																	
Movement in Other Liabilities	(3.82)	(3.50)	(3.66)	(4.34)	(3.85)	(3.58)																																																																	
Total General Fund Debt	339.15	352.27	370.77	372.61	371.52	390.03																																																																	
HRA	168.73	181.70	208.07	236.74	267.15	267.15																																																																	
Total CFR	507.88	533.97	578.84	609.35	638.67	657.18																																																																	
Less Other Debt Liabilities*	(60.62)	(57.10)	(53.46)	(49.12)	(45.27)	(41.69)																																																																	
Loans CFR	447.26	476.87	525.38	560.23	593.40	615.49																																																																	

2.4.5	<i>Table 5 – Current and Estimated Movement in Gross Debt £M</i>																																																																													
	<table border="1"> <thead> <tr> <th>Gross Debt</th> <th>31-Mar-22</th> <th>31-Mar-23</th> <th>31-Mar-24</th> <th>31-Mar-25</th> <th>31-Mar-26</th> <th>31-Mar-27</th> </tr> <tr> <td></td> <th>Actual</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> </tr> <tr> <td></td> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Borrowing (Long Term GF)</td> <td>90.03</td> <td>127.02</td> <td>184.45</td> <td>189.08</td> <td>188.30</td> <td>205.93</td> </tr> <tr> <td>Borrowing (Long Term HRA)</td> <td>165.27</td> <td>179.87</td> <td>206.25</td> <td>234.92</td> <td>265.29</td> <td>265.27</td> </tr> <tr> <td>Borrowing (Short Term)</td> <td>0.36</td> <td>0.44</td> <td>0.44</td> <td>0.44</td> <td>0.44</td> <td>0.44</td> </tr> <tr> <td>Total Borrowing</td> <td>255.66</td> <td>307.33</td> <td>391.14</td> <td>424.44</td> <td>454.03</td> <td>471.64</td> </tr> <tr> <td>Finance leases and Private Finance Initiatives</td> <td>47.52</td> <td>44.37</td> <td>41.09</td> <td>37.11</td> <td>33.61</td> <td>30.41</td> </tr> <tr> <td>Transferred Debt</td> <td>13.10</td> <td>12.73</td> <td>12.38</td> <td>12.01</td> <td>11.64</td> <td>11.28</td> </tr> <tr> <td>Total Other Debt</td> <td>60.62</td> <td>57.10</td> <td>53.47</td> <td>49.12</td> <td>45.25</td> <td>41.69</td> </tr> <tr> <td>Total Debt</td> <td>316.28</td> <td>364.43</td> <td>444.61</td> <td>473.56</td> <td>499.28</td> <td>513.33</td> </tr> </tbody> </table>	Gross Debt	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27		Actual	Forecast	Forecast	Forecast	Forecast	Forecast		£M	£M	£M	£M	£M	£M	Borrowing (Long Term GF)	90.03	127.02	184.45	189.08	188.30	205.93	Borrowing (Long Term HRA)	165.27	179.87	206.25	234.92	265.29	265.27	Borrowing (Short Term)	0.36	0.44	0.44	0.44	0.44	0.44	Total Borrowing	255.66	307.33	391.14	424.44	454.03	471.64	Finance leases and Private Finance Initiatives	47.52	44.37	41.09	37.11	33.61	30.41	Transferred Debt	13.10	12.73	12.38	12.01	11.64	11.28	Total Other Debt	60.62	57.10	53.47	49.12	45.25	41.69	Total Debt	316.28	364.43	444.61	473.56	499.28	513.33
Gross Debt	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27																																																																								
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast																																																																								
	£M	£M	£M	£M	£M	£M																																																																								
Borrowing (Long Term GF)	90.03	127.02	184.45	189.08	188.30	205.93																																																																								
Borrowing (Long Term HRA)	165.27	179.87	206.25	234.92	265.29	265.27																																																																								
Borrowing (Short Term)	0.36	0.44	0.44	0.44	0.44	0.44																																																																								
Total Borrowing	255.66	307.33	391.14	424.44	454.03	471.64																																																																								
Finance leases and Private Finance Initiatives	47.52	44.37	41.09	37.11	33.61	30.41																																																																								
Transferred Debt	13.10	12.73	12.38	12.01	11.64	11.28																																																																								
Total Other Debt	60.62	57.10	53.47	49.12	45.25	41.69																																																																								
Total Debt	316.28	364.43	444.61	473.56	499.28	513.33																																																																								
2.4.6	There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the council's level of balances, reserves, provisions and working capital as the council's strategy has been to only borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the council's lending list and also to avoid the cost of carry existing in the current interest rate environment.																																																																													
2.4.7	Given the significant cuts to public expenditure and in particular to local government funding the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short-term instead.																																																																													
2.4.8	By doing so, the council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the council with this 'cost of carry' and breakeven analysis.																																																																													
2.4.9	Constant monitoring of rates also allows the Council to take advantage when long-term rates fall. In 2022/23, long term PWLB loans were taken when rates fell and were able to secure a rate well below what had budgeted and lower than short term.																																																																													
2.4.10	Any change to the strategy would require approval by full Council and additional Treasury Training would be provided to assist members in understanding the risks and implications of any change to the current strategy.																																																																													
	Revenue Impact of the Capital Programme																																																																													
2.4.10	In terms of the impact on the revenue budget of the council the forecast for borrowing costs (for capital financing) in 2023/24 is £22.71M, of which £6.73M relates to the HRA. This is made up of interest on borrowing of £13.04M and other costs of £9.67M. This is expected to rise to £31.92M (£11.22M HRA) by 2025/26 to accommodate the capital programme, utilisation of reserves and refinancing of																																																																													

borrowing. However, this will be subject to movement as the need for further borrowing becomes more certain. The impact is also shown in the chart below:



2.5	Asset Management
2.5.1	<p>To ensure that capital assets continue to be of long-term use, the Authority has engaged a specialist to assist with the production of a comprehensive corporate asset management strategy. This strategy will allow the council to plan effectively for its property needs now and in the future, focusing on:</p> <ul style="list-style-type: none"> • what property assets the council owns and uses; • how property is used by the council; • how the council’s property needs might change and evolve over time; • ensuring where possible that the council always has the right property fit for purpose.
2.5.2	<p>When determining the capital programme and allocating resources the Council will also have regard to:</p> <ul style="list-style-type: none"> • The preparation of the statutory Local Transport Plan, and Highways Asset Management Strategy; • The preparation of the Asset Management Plan for Schools and Council Buildings to ensure health and safety issues are dealt with appropriately; and <p>The council’s obligation to finance adaptations to the homes of disabled residents. Funding is passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the council, as part of the S75 pooling arrangement outlined in the Medium Term Financial Forecast (Annex 1.1).</p>
2.6	Asset Disposals
2.6.1	<p>When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.</p> <p>The Authority is currently also permitted to spend capital receipts “flexibly” on service transformation projects until 2024/25.</p>

	Repayments of capital grants, loans and investments also generate capital receipts.
2.6.2	There are currently no planned significant asset disposals. Expected capital receipts are reported as part of the quarterly financial monitoring.
2.6.3	<p><u>Flexible use of Capital Receipts</u></p> <p>The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects between 1st April 2016 to 31st March 2019, this was then extended until March 22.</p> <p>In February 2021 the Government announced that it would be extending the scheme for a further 3 years until March 2025 with the following conditions:</p> <ul style="list-style-type: none"> • The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority's net service expenditure and is expenditure on a project where incurring up-front costs will generate ongoing savings; and • Individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. • Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies. <p>The council has chosen to implement this policy and the Flexible Use of Capital Receipts Strategy 2023/24 is detailed in Appendix 3 of the The Revenue Budget 2023-24, Medium Term Financial Strategy and Capital Programme.</p>
2.6.4	<p>The current strategy for the use of capital receipts is to:</p> <ul style="list-style-type: none"> • Consider funding transformational projects on a case by case basis, • Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites; and <p>Assume receipts from the sale of assets not currently on the market will not be taken into consideration when assessing the total value of receipts available to fund the capital programme.</p>
2.6.5	<p><u>HRA Right to Buy Receipts</u></p> <p>In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the council under the agreement signed in June 2012 and amended in June 2013.</p>

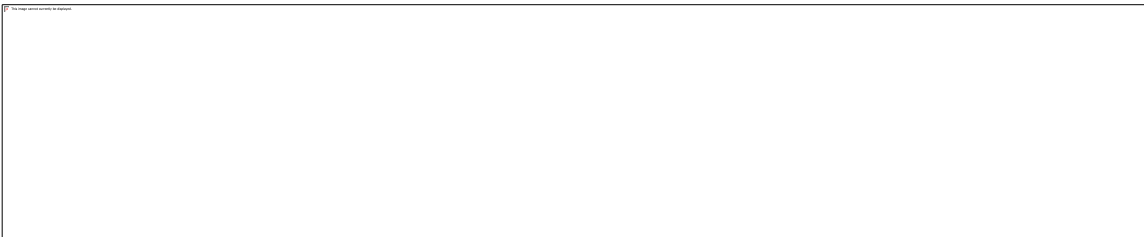
	Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DLUHC.
	<u>SECTION 3 - TREASURY MANAGEMENT</u>
3.1	Background
3.1.1	Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
3.2	Borrowing strategy
3.2.1	<p>The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.</p> <p>The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.</p> <p>Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below in Table 6, compared with the capital financing requirement (see Table 4 above).</p> <p>Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.</p>

3.3	Liability benchmark																																																															
3.3.1	<p>To compare the Authority’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20M at each year-end. This benchmark is currently £306.96M and is forecast to rise to £457.24M over the next three years.</p> <p><i>Table 6: Liability Benchmark in £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>31-Mar-22</th> <th>31-Mar-23</th> <th>31-Mar-24</th> <th>31-Mar-25</th> <th>31-Mar-26</th> <th>31-Mar-27</th> </tr> <tr> <th></th> <th>Actual</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Loans CFR</td> <td>447.26</td> <td>476.87</td> <td>525.38</td> <td>560.23</td> <td>593.40</td> <td>615.49</td> </tr> <tr> <td>Less Balance sheet Resources</td> <td>(303.08)</td> <td>(217.92)</td> <td>(181.12)</td> <td>(181.18)</td> <td>(184.17)</td> <td>(184.17)</td> </tr> <tr> <td>Plus Minimum Investments</td> <td>107.22</td> <td>48.01</td> <td>48.01</td> <td>48.01</td> <td>48.01</td> <td>48.01</td> </tr> <tr> <td>Liability Benchmark</td> <td>251.40</td> <td>306.96</td> <td>392.26</td> <td>427.06</td> <td>457.24</td> <td>479.33</td> </tr> <tr> <td>Less Committed External Borrowing</td> <td>(255.66)</td> <td>(288.65)</td> <td>(280.10)</td> <td>(272.00)</td> <td>(263.90)</td> <td>(255.80)</td> </tr> <tr> <td>Minimum Borrowing Need</td> <td>(4.26)</td> <td>18.31</td> <td>112.16</td> <td>155.06</td> <td>193.34</td> <td>223.53</td> </tr> </tbody> </table>		31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27		Actual	Forecast	Forecast	Forecast	Forecast	Forecast		£M	£M	£M	£M	£M	£M	Loans CFR	447.26	476.87	525.38	560.23	593.40	615.49	Less Balance sheet Resources	(303.08)	(217.92)	(181.12)	(181.18)	(184.17)	(184.17)	Plus Minimum Investments	107.22	48.01	48.01	48.01	48.01	48.01	Liability Benchmark	251.40	306.96	392.26	427.06	457.24	479.33	Less Committed External Borrowing	(255.66)	(288.65)	(280.10)	(272.00)	(263.90)	(255.80)	Minimum Borrowing Need	(4.26)	18.31	112.16	155.06	193.34	223.53
	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27																																																										
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast																																																										
	£M	£M	£M	£M	£M	£M																																																										
Loans CFR	447.26	476.87	525.38	560.23	593.40	615.49																																																										
Less Balance sheet Resources	(303.08)	(217.92)	(181.12)	(181.18)	(184.17)	(184.17)																																																										
Plus Minimum Investments	107.22	48.01	48.01	48.01	48.01	48.01																																																										
Liability Benchmark	251.40	306.96	392.26	427.06	457.24	479.33																																																										
Less Committed External Borrowing	(255.66)	(288.65)	(280.10)	(272.00)	(263.90)	(255.80)																																																										
Minimum Borrowing Need	(4.26)	18.31	112.16	155.06	193.34	223.53																																																										
3.4	Affordable Borrowing Limit																																																															
3.4.1	<p>The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.</p> <p>The council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the council and not just those arising from capital spending reflected in the CFR.</p>																																																															
3.4.2	<p>The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases.</p> <p>The Authorised Limit, shown in table 7, has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom to allow for unusual cash movements, for example a complete debt restructure requiring monies to be borrowed in advance of repayment of existing debt.</p>																																																															
3.4.3	<p><i>Table 7 – Authorised Limit for External Debt £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>910</td> <td>945</td> <td>1140</td> <td>1140</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>65</td> <td>65</td> <td>60</td> <td>60</td> </tr> <tr> <td>Total</td> <td>975</td> <td>1010</td> <td>1200</td> <td>1200</td> </tr> </tbody> </table>		2022/23	2023/24	2024/25	2025/26	Borrowing	910	945	1140	1140	Other Long-term Liabilities	65	65	60	60	Total	975	1010	1200	1200																																											
	2022/23	2023/24	2024/25	2025/26																																																												
Borrowing	910	945	1140	1140																																																												
Other Long-term Liabilities	65	65	60	60																																																												
Total	975	1010	1200	1200																																																												

3.4.4	The Operational Boundary is linked directly to the council’s estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit which allows for a full debt restructure if a favourable opportunity arose.																				
3.4.5	<p><i>Table 8 – Operational Boundary for External Debt £M</i></p> <table border="1" data-bbox="300 510 1217 656"> <thead> <tr> <th></th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>785</td> <td>805</td> <td>850</td> <td>850</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>65</td> <td>60</td> <td>55</td> <td>55</td> </tr> <tr> <td>Total</td> <td>850</td> <td>865</td> <td>905</td> <td>905</td> </tr> </tbody> </table>		2022/23	2023/24	2024/25	2025/26	Borrowing	785	805	850	850	Other Long-term Liabilities	65	60	55	55	Total	850	865	905	905
	2022/23	2023/24	2024/25	2025/26																	
Borrowing	785	805	850	850																	
Other Long-term Liabilities	65	60	55	55																	
Total	850	865	905	905																	
3.4.6	The Executive Director for Corporate Services & S151 Officer has delegated authority, within the above limits for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Council will be notified of any use of this delegated authority.																				
3.5	Treasury Investment Strategy																				
3.5.1	Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.																				
3.5.2	<p>The Authority’s policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.</p> <p>Further details on treasury investments can be found in the Treasury Management Strategy.</p> <p>https://www.southampton.gov.uk/modernGov/documents/s59182/enc.%201%20TREASURY%20MANAGEMENT%20STRATEGY%20202324%20to%20202627.pdf</p>																				
3.6	Risk Management																				
3.6.1	The effective management and control of risk are prime objectives of the Authority’s treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.																				

3.6.2	<p>The treasury management prudential indicators are within the report (see link below) considered by the Governance Committee on 14 February 2023.</p> <p>https://www.southampton.gov.uk/modernGov/documents/s59182/enc.%201%20TREASURY%20MANAGEMENT%20STRATEGY%20202324%20to%20202627.pdf</p>
3.7	Governance
3.7.1	<p>Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director for Corporate Services & S151 Officer and staff, who must act in line with the Treasury Management Strategy to be approved by Governance Committee on 14th February 2023. Quarterly reports on treasury management activity are presented to Cabinet. The Governance Committee is responsible for scrutinising treasury management decisions.</p>
	<u>SECTION 4 - INVESTMENTS FOR SERVICE PURPOSES</u>
4.1	Background
4.1.1	<p>The Authority may make investments to assist local public services, including making loans to and buying shares in local service providers and businesses to promote economic growth. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even after all costs.</p> <p>Currently the council does not have any investments for service purposes, the criteria for potential investments in the future is set out in the Investment Strategy 2023/24 (annex 2.2).</p>
4.2	Governance
4.2.1	<p>Decisions on service investments are made by the relevant service director in consultation with the Executive Director for Corporate Services & S151 Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The relevant service director is responsible for ensuring that adequate due diligence is carried out before investment is made, including engaging independent and expert advice where necessary.</p> <p>Further details on service investments are given in of the Investment Strategy 2023/24 (annex 2.2).</p>
	<u>SECTION 5 - COMMERCIAL ACTIVITIES</u>
5.1	Background
5.1.1	<p>With central government financial support for local public services declining, the Authority had previously invested in commercial property for financial gain. Total commercial investments are valued as at 31 March 2022 at £25.7M, consisting of 3 properties providing a net return after all costs of 2.13%.</p>

	<p>With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include reduced income due to rent voids or rent reductions and fall in capital value due to market conditions/demands. These risks are managed by performing credit checks on potential tenants, having a reserve set aside for voids and maintenance costs and regular monitoring to identify potential risks as early as possible.</p> <p>There are no plans for future commercial investments.</p>
5.2	Governance
5.2.1	<p>Decisions on commercial investments are made by the Head of Property and Executive Director for Corporate Services & S151 Officer, in consultation with the Cabinet Member for Finance & Change and the Leader of the Council in line with the criteria and limits in the Property Investment Strategy approved by Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.</p> <p>The relevant service director is responsible for ensuring that adequate due diligence is carried out before investment is made, including engaging independent and expert advice where necessary.</p> <p>Further details on commercial investments and limits on their use are detailed in the Investment Strategy 2023/24 (annex 2.2).</p>
	<u>SECTION 6 – LIABILITIES</u>
6.1	Background
6.1.1	<p>In addition to debt detailed above, the council has set aside an earmarked insurance reserve of £0.70M to cover risks of a potential liability created by Municipal Mutual Insurance (MMI) levy and other uninsured losses which might occur in the future. As at 31 March 2022, the council's outstanding potential liability under the SoA stood at £1.390M (2020/21 £1.390M), less the £0.347M payment already made under the Scheme of Arrangement with MMI.</p>
6.2	Governance
6.2.1	<p>Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Executive Director for Corporate Services & S151 Officer. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported to the appropriate committee. New liabilities exceeding £2M are reported to full Council for approval/notification as appropriate.</p> <p>Further details on liabilities and guarantees are on page 103 of the 2021/22 statement of accounts.</p>
	<u>SECTION 7- REVENUE BUDGET IMPLICATIONS</u>
7.1	Background
7.1.1	<p>Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP and loans fund repayments are charged to revenue. The</p>

	net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants.
7.2	Ratio of financing costs to net revenue stream
7.2.1	This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The upper limit for this ratio is currently set at 15%. The table below shows the likely position based on the proposed capital programme
7.2.2	<p><i>Table 10: Prudential Indicator: Ratio of financing costs to net revenue stream %</i></p> 
7.2.3	This indicator is not so relevant for the HRA, especially since the introduction of self-financing, as financing costs have been built into their 40 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if difficulties were to arise then the HRA would have the option not to make principle repayments in the early years, which it has currently opted to do.
7.3	Sustainability
7.3.1	Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Executive Director for Corporate Services & S151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.
	<u>SECTION 8 - CAPACITY AND SKILLS</u>
8.1	Background
8.1.1	<p>The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.</p> <p>For example, the Executive Director for Corporate Services & S151 Officer is a qualified accountant with extensive years' experience within local government at a senior level. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACCA, AAT, ACT (treasury), ATT.</p> <p>Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This</p>

approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.
--

This page is intentionally left blank

2023/24 MINIMUM REVENUE PROVISION (MRP) STATEMENT

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008, the council is required to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

For borrowing incurred prior to 1st April 2008, when the prudential regime was introduced, MRP will be charged using the regulatory method over a 50 year life. The guidance determines this as the maximum useful life as this is the maximum PWLB borrowing term.

For prudential borrowing incurred after 31st March 2008 MRP will be determined using the asset life method and charged over the expected useful life. This includes MRP for investment property, as the depreciation method used previously is no longer available for investment property following the revised guidance.

Following a review of the current asset lives it was established that there was one instance where the life had been set at 70 years. The CFO has made the prudent decision to reduce this in line with current guidance that no life should exceed 50 years. The increase in MRP payment has been factored into the budget proposals within the Medium Term Financial Strategy (MTFS).

We will continue to review MRP and the CFO has delegated powers to change the proposed methods to aid good financial management whilst maintaining a prudent approach, should the need arise. Any changes required during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach

since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

There is no requirement for the Housing Revenue Account (HRA) to make MRP repayments but it has previously opted to make voluntary repayments. Provision has been made within its business plan to show that it can pay down debt over the life of the 40 year business plan.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred balance sheet liability.

Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

Capital expenditure incurred during 2023/24 and funded from borrowing will not be subject to a MRP charge until 2024/25.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2023, the budget for MRP has been set as follows:

Table 1 - Current and Estimated MRP and CFR for 2023/24

	31/03/2022 Actual CFR £M	2022/23 MRP Liability £M	31/03/2023 Estimated CFR £M	2023/24 Estimated MRP £M
Capital expenditure before 01.04.2008	87.01	1.74	85.28	1.73
Unsupported capital expenditure after 31.03.2008	191.52	6.19	222.26	7.87
Transferred debt	13.10	0.36	12.73	0.36
Finance leases and Private Finance Initiative	47.52	3.14	44.37	3.30
Total General Fund CFR and MRP Liability	339.15	11.43	364.64	13.26
Transfers			0.00	0.00
Net General Fund CFR and MRP Liability	339.15	11.43	364.64	13.26
Assets in the Housing Revenue Account	79.96	0.00	98.66	0.00
HRA subsidy reform payment	88.77	0.00	85.28	0.00
Transfers			0.00	0.00
Total Housing Revenue Account	168.73	0.00	183.94	0.00
Total	507.88	11.43	548.58	13.26

Southampton City Council

INVESTMENT STRATEGY

2023/24

Contents

Section 1 Introduction

1.1 Background

Section 2 Treasury Management Investments

2.1 Background

Section 3 Service Investments: Loans

3.1 Background

3.2 Security - Loan Limits

3.3 Potential Loan Criteria

Section 4 Service Investments: Shares

4.1 Background

Section 5 Commercial Investments: Property

5.1 Background

5.2 Security

5.3 Risk Assessment

5.4 Liquidity

Section 6 Capacity and Skills

6.1 Elected members and statutory officers

6.2 Commercial Deals

Section 7 Investment Indicators

7.1 Background

7.2 Total risk exposure

7.3 How investments are funded

7.4 Rate of return received

	<u>SECTION 1 – INTRODUCTION</u>
1.1	Background
1.1.1	<p>The Authority invests its money for three broad purposes:</p> <ul style="list-style-type: none"> • because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), • to support local public services by lending to or buying shares in other organisations (service investments), and • to earn investment income (known as commercial investments where this is the main purpose). <p>This investment strategy meets the requirements of statutory investment guidance issued by the government in January 2018 and focuses on the second and third of these categories.</p>
	<u>SECTION 2 - TREASURY MANAGEMENT INVESTMENTS</u>
2.1	Background
2.1.1	The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be £48M at the end of 2023/24 financial year.
2.1.2	The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
2.1.3	Full details of the Authority’s policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.
	<u>SECTION 3 - SERVICE INVESTMENTS: LOANS</u>
3.1	Background
3.1.1	The Council is able to lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The Council does not currently have any service loans.
3.2	Security - Loan Limits
3.2.1	The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as in Table 1 below.

3.2.2	<p>Table 1 – Loans for service purposes £M</p> <table border="1"> <thead> <tr> <th data-bbox="300 241 775 353">Category of Borrower</th> <th data-bbox="783 241 1023 353">31.03.2022 Net showing in accounts</th> <th data-bbox="1031 241 1262 353">2023/24 Approved Limit</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 365 775 409">Subsidiaries</td> <td data-bbox="783 365 1023 409">-</td> <td data-bbox="1031 365 1262 409">2.00</td> </tr> <tr> <td data-bbox="300 421 775 465">Suppliers</td> <td data-bbox="783 421 1023 465">-</td> <td data-bbox="1031 421 1262 465">2.00</td> </tr> <tr> <td data-bbox="300 477 775 521">Other Public Sector Bodies</td> <td data-bbox="783 477 1023 521">-</td> <td data-bbox="1031 477 1262 521">20.00</td> </tr> <tr> <td data-bbox="300 533 775 573">Charities</td> <td data-bbox="783 533 1023 573">-</td> <td data-bbox="1031 533 1262 573">0.50</td> </tr> </tbody> </table>	Category of Borrower	31.03.2022 Net showing in accounts	2023/24 Approved Limit	Subsidiaries	-	2.00	Suppliers	-	2.00	Other Public Sector Bodies	-	20.00	Charities	-	0.50
Category of Borrower	31.03.2022 Net showing in accounts	2023/24 Approved Limit														
Subsidiaries	-	2.00														
Suppliers	-	2.00														
Other Public Sector Bodies	-	20.00														
Charities	-	0.50														
3.2.3	<p>Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority’s statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.</p>															
3.3	<p>Potential Loan Criteria & Risk Assessment</p>															
3.3.1	<p>The Council does not currently have any material loans but loans to subsidiaries may be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans will be considered when all of the following criteria are satisfied:</p> <ul style="list-style-type: none"> • The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure; • The purpose for which the loan is given is consistent with the Council’s corporate / strategic objectives and priorities; • Due diligence is carried out that confirms the Council’s legal powers to make the loan, and that assesses the risk of loss over the loan term; • A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss. 															
3.3.2	<p>The Council would assess the risk of loss before entering into and whilst holding service loans. It is likely that should loans be considered in the future an external advisor would be engaged to undertake an assessment of the market and relevant credit ratings. These ratings would be closely monitored, and appropriate action taken swiftly should they change.</p> <p>Should the Council consider any service loans in the future a robust procedure will be developed and reported to Council as an update to this strategy.</p>															

	<u>SECTION 4 - SERVICE INVESTMENTS: SHARES</u>																														
4.1	Background																														
4.1.1	The Council is able to invest in the shares of its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.																														
4.1.2	One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council does not currently have any material investment in shares nor is there any intention to do so at present. If this changed the Council would undertake a risk assessment before entering not a purchase and would establish appropriate Prudential Indicators.																														
	<u>SECTION 5 - COMMERCIAL INVESTMENTS: PROPERTY</u>																														
5.1	Background																														
5.1.1	<p>The Council was able to invest in local, regional and UK commercial and residential property with the intention of making a profit that will be spent on local public services. Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF). The authority purchased 3 properties; details are shown in table 2 below.</p> <p>These properties are expected to generate £1.7M income in 2022/23 a return of 1.84% against the amount invested.</p> <p>There is no intention to purchase any further investment properties, in line with recent updated CIPFA guidance.</p>																														
5.1.2	<p><i>Table 2: Property Investment Fund £M</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Property</th> <th rowspan="2">Actual</th> <th colspan="2">31.03.2022 Actual</th> <th rowspan="2">Outstanding Debt 31.03.2023</th> </tr> <tr> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> </tr> </thead> <tbody> <tr> <td>Property 1</td> <td>6.47</td> <td>4.88</td> <td>(1.59)</td> <td>5.81</td> </tr> <tr> <td>Property 2</td> <td>14.69</td> <td>11.64</td> <td>(3.05)</td> <td>13.18</td> </tr> <tr> <td>Property 3</td> <td>8.53</td> <td>9.17</td> <td>0.64</td> <td>7.65</td> </tr> <tr> <td></td> <td>29.69</td> <td>25.69</td> <td>(4.00)</td> <td>26.64</td> </tr> </tbody> </table>				Property	Actual	31.03.2022 Actual		Outstanding Debt 31.03.2023	Value in Accounts	Cumulative Gain or (Loss)	Property 1	6.47	4.88	(1.59)	5.81	Property 2	14.69	11.64	(3.05)	13.18	Property 3	8.53	9.17	0.64	7.65		29.69	25.69	(4.00)	26.64
Property	Actual	31.03.2022 Actual		Outstanding Debt 31.03.2023																											
		Value in Accounts	Cumulative Gain or (Loss)																												
Property 1	6.47	4.88	(1.59)	5.81																											
Property 2	14.69	11.64	(3.05)	13.18																											
Property 3	8.53	9.17	0.64	7.65																											
	29.69	25.69	(4.00)	26.64																											
5.1.3	<p>In addition to the properties purchased under PIF, the council holds an extensive historic property portfolio.</p> <p>Information relating to purchase price and any associated debt is not held, as this is not required by local authority legislation. The fair value of all investment properties at the 31 March 2022 was £114.1M an increase of £1.0M from the year before.</p> <p>The Valuation and Estates section are responsible for the ongoing management and monitoring of the portfolio (including PIF) and for 2021/22 net income for the total portfolio was £6.3M compared to £5.7M in 2020/21 a net return of 5.48% against the Fair Value (5.04% in 2020/21).</p>																														

5.2	Security
5.2.1	In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset. As can be seen from the table above the fair value assessment of these properties at the 31 March 2022 is below the purchase price, this was partly due to cost associated with the purchase (£1.79M) which, in line with the MRP policy in place at the time, was charged to revenue in 2017/18. Debt repayments are now being made on the annuity basis and debt will reduce by approximately £0.25M per annum.
5.2.2	Table 2 also shows that if the fair value for properties 1 and 2 are in line with 2021/22, they will continue to be below the outstanding debt by £2.47M but this is an improvement compared with last year at £2.66M. As this is outside of the current policy, consideration has been given to the future of these assets, bearing in mind that a disposal would be likely to incur a large financial loss to the Council. Whilst the properties are still providing a positive income yield, it makes no financial sense to dispose of the properties in the current economic climate. The Council will continue to closely monitor the situation, look for solutions to increase the value and report any further concerns through the relevant committees.
5.2.3	<p>The Council is therefore taking mitigating actions to protect the capital invested in Property 2, whilst supporting economic growth in the City. These actions include plans within the capital programme to divide the existing unit into two smaller units, to achieve the following benefits:</p> <ul style="list-style-type: none"> • Creating more marketable units for future growth and support the changing needs of businesses, • Reducing exposure to one tenant's income on such a large unit, • Improving the combined covenant strength underpinning this asset, and • Increasing the capital value of the asset above the value of outstanding debt and purchase cost. <p>Once these works have been undertaken, a review will be undertaken to ensure that maintaining the asset is still appropriate.</p>
5.3	Risk Assessment
5.3.1	The council assesses the risk of loss before purchasing and whilst holding investment property and monitors both the fair value and the return on the assets to assess the benefits of either retaining or disposing of the assets.
5.3.2	Budgeted investment income allows for voids and maintenance costs, which are reviewed as part of budget monitoring on individual properties to ensure they continue to provide the correct level of risk management.
5.4	Liquidity
5.4.1	Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Therefore, to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals. Since purchasing the PIF properties actual

	income has and continues to be in line with the budgeted figure and there are no current indicators to suggest that the forecast future income will not be achieved. If there is any change this would be reported as part of the revenue financial monitoring process.
	<u>SECTION 6 - CAPACITY AND SKILLS</u>
6.1	Elected members and statutory officers
6.1.1	<p>CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with Treasury Management (TM) responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Treasury training is offered to all members annually, which is undertaken by our advisors, Arlingclose. This will be part of the training offered post the May 2023 election on financial matters.</p> <p>Further training is also provided if the need arises, for example a change in leadership and the makeup of Governance committee. We would also arrange additional training if there was to be a material change in the Treasury Strategy, explaining the reasoning behind it, to ensure that Members understand what they are being asked to approve.</p> <p>For Officers the Council adopts a continuous performance and development programme to ensure staff are regularly appraised and any training needs addressed. Relevant staff also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date. Details of training received are maintained as part of the performance and development process.</p>
6.2	Commercial deals
6.2.1	<p>Any future commercial investments will be subject to a detailed business case and need the relevant approvals. The Council has a robust process in place for property investment and therefore has a separate Property Investment Strategy. It sets out the scoring criteria each investment will be subjected to, including financial checks on potential tenants to evidence their financial stability and risk level. An independent valuation will also be conducted to obtain a level of assurance that the price quoted, and the rent charged were in line with the expected market rate. Once all criteria are met final agreement is required by the S151 Officer, Head of Property, the Cabinet Member for Finance & Change and the Leader of the Council.</p> <p>The Council has an experienced in-house estates and valuation team, who will manage the process and the day-to-day management of any investments. The use of external experts will be employed where specialist knowledge is required in the acquisition, disposal or performance management of commercial property.</p>
	<u>SECTION 7 - INVESTMENT INDICATORS</u>
7.1	Background
7.1.1	The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

7.2	Total Risk Exposure																					
7.2.1	This indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.																					
7.2.2	<p><i>Table 3: Total investment exposure £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>31.03.2022 Actual</th> <th>31.03.2023 Forecast</th> <th>31.03.2024 Forecast</th> </tr> </thead> <tbody> <tr> <td>Treasury management investments</td> <td>107.2</td> <td>48.1</td> <td>48.1</td> </tr> <tr> <td>Service investments: Loans</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Commercial Investments: PIF</td> <td>26.9</td> <td>26.6</td> <td>26.4</td> </tr> <tr> <td>TOTAL EXPOSURE</td> <td>134.1</td> <td>74.7</td> <td>74.5</td> </tr> </tbody> </table>		31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast	Treasury management investments	107.2	48.1	48.1	Service investments: Loans	0.0	0.0	0.0	Commercial Investments: PIF	26.9	26.6	26.4	TOTAL EXPOSURE	134.1	74.7	74.5	
	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast																			
Treasury management investments	107.2	48.1	48.1																			
Service investments: Loans	0.0	0.0	0.0																			
Commercial Investments: PIF	26.9	26.6	26.4																			
TOTAL EXPOSURE	134.1	74.7	74.5																			
7.3	How Investments are Funded																					
7.3.1	Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.																					
7.3.2	<p><i>Table 4: Investments funded by borrowing and loan to value ratio</i></p> <table border="1"> <thead> <tr> <th>Investment funded by borrowing</th> <th>2021/22 Actual</th> <th>Loan to Value Ratio</th> <th>2022/23 Forecast</th> <th>Loan to Value Ratio</th> <th>2023/24 Forecast</th> <th>Loan to Value Ratio</th> </tr> <tr> <td></td> <th>£M</th> <th>%</th> <th>£M</th> <th>%</th> <th>£M</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Commercial Investments: Property (PIF)</td> <td>26.9</td> <td>105</td> <td>26.6</td> <td>104</td> <td>26.4</td> <td>103</td> </tr> </tbody> </table> <p>The maximum loan to value indicator is set at 100%. The 104% shown in the table demonstrates the loan outstanding now exceeds the estimated fair value, in aggregate for the 3 properties. The policy adopted states if that position should arise i.e. the value is less than the outstanding sum borrowed, then this should be reported to Council and hence this is highlighted. The authority should then look to take steps to assess the viability of holding the investment, but it is proposed for the moment that as asset values are very volatile post Covid and the Autumn Statement, that the position is monitored carefully over the next 3 months.</p>	Investment funded by borrowing	2021/22 Actual	Loan to Value Ratio	2022/23 Forecast	Loan to Value Ratio	2023/24 Forecast	Loan to Value Ratio		£M	%	£M	%	£M	%	Commercial Investments: Property (PIF)	26.9	105	26.6	104	26.4	103
Investment funded by borrowing	2021/22 Actual	Loan to Value Ratio	2022/23 Forecast	Loan to Value Ratio	2023/24 Forecast	Loan to Value Ratio																
	£M	%	£M	%	£M	%																
Commercial Investments: Property (PIF)	26.9	105	26.6	104	26.4	103																
7.4	Rate of return received																					
7.4.1	This indicator shows the investment income received less the associated costs, including the cost of borrowing, as a proportion of the debt outstanding. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.																					
7.4.2	<p><i>Table 5: Investment rate of return (net of all costs) %</i></p> <table border="1"> <thead> <tr> <th>Investment net rate of return</th> <th>2021/22 Actual</th> <th>2022/23 Forecast</th> <th>2023/24 Forecast</th> </tr> </thead> <tbody> <tr> <td><i>Property 1</i></td> <td>2.62</td> <td>2.65</td> <td>2.68</td> </tr> <tr> <td><i>Property 2</i></td> <td>2.55</td> <td>1.91</td> <td>1.93</td> </tr> </tbody> </table>	Investment net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	<i>Property 1</i>	2.62	2.65	2.68	<i>Property 2</i>	2.55	1.91	1.93									
Investment net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast																			
<i>Property 1</i>	2.62	2.65	2.68																			
<i>Property 2</i>	2.55	1.91	1.93																			

	<i>Property 3</i>	1.79	1.81	1.83	
	<i>Total Average Rate of Return</i>	2.35	2.05	2.07	

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023/24	
<u>BACKGROUND</u>	
1.	<p>Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations.</p> <p>The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.</p>
2.	<p>In the Spending Review 2015, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support local authorities to deliver more efficient and sustainable services.</p>
3.	<p>The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, up until 2018/19. Allowing local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. Qualifying expenditure was defined as:</p> <p><i>“Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”</i></p>
4.	<p>This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22.</p> <p>Then, in the 2022/23 Provisional Local Government Finance Settlement it was announced <i>“a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery”</i>.</p> <p>On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction.</p>
5.	<p>To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with future Strategies included within future Annual Budget documents.</p>
6.	<p>The Council produced its first strategy for 2022/23, which was approved by Council in November 2022. This Strategy gives an updated view but very little has changed given the short time since approval.</p>
PROPOSED INVESTMENTS	
7.	<p>The Council will use the powers under the Government’s Statutory Guidance on the flexible use of capital receipts, to fund up to £3.00M qualifying transformation expenditure on the projects summarised in Table 1 below. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings, requiring other existing resources.</p>

8. Table 1 – Projects to be Funded from Flexible Use of Capital Receipts

Project	Description	Planned Use of Capital Receipts (£M)		Expected Savings
		2022/23	2023/24	
Organisation Restructure	A more focused and streamlined Executive Management Team (EMT), to prioritise strategic development and long-term planning, performance and delivery of strategy.	0.25		Increased efficiency through better re-aligned services. Enable redirection of some resource to support and expand operational capacity and move towards delivering aspects of the Operating Model. <i>(Estimated savings range £0.3M to £0.4M pa, TBC)</i>
Automation	Investment across the Council's processes to enable automation and improved efficiency	0.15	0.40	Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service. <i>(Savings TBC)</i>
Partnership Delivery Models	Increased efficiency through joint working.		0.50	The specific impacts will be considered as the new service delivery models are developed. The target is to provide savings of 10% on existing budgets. <i>(Savings TBC)</i>
Fees & Charges Review	Assessing income streams across the council to ensure they are appropriate and review process for income collection.	0.05	0.05	Potential increase in charges, leading to higher income. Efficiencies in associated processes, providing better customer experience and potentially reducing resources. <i>(As an illustrative example of savings, 1% on discretionary fees and charges would yield around £0.3M pa)</i>
SCC Transformation	A review of the SCC operating model. Review the way that we deliver ASC services.	0.50	0.80	To support the achievement of the organisational vision, goals and corporate plan that implement a revised operating model, service design and process reviews to drive efficiencies and better meet customer need. To promote independence, preventative mindset and improve the way we work with people accessing our services including carers and providers. <i>(Estimated Saving Range £3M to £5M pa)</i>

CareDirector	Second phase of implementation.	0.20		Efficiencies and savings through improved processes. Better integration with other agencies. <i>(Savings TBC)</i>
Fleet Telematics & Modernisation	To modernise and use the fleet effectively. Telematics will also enable the transition to an electric fleet.	0.05	0.05	Potential saving in fuel costs from efficiencies in route planning and driving techniques. <i>(Estimated Saving up to £0.1M pa)</i>
TOTAL		1.20	1.80	Potential savings range - so far - (£3.6M to £5.8M), with work to confirm potential in some areas

NB The table shows preliminary estimates, where known of the potential for savings, more detailed worked is needed in some of the areas specified. Not all projects will result in a direct budget saving but will provide efficiencies in service delivery, allowing resources to be better utilised.

9.	In future years, the Council's flexible use of capital receipts to fund projects will continue to be subject to development of robust business cases. The business cases will be required to demonstrate that: <ul style="list-style-type: none"> the initiative will transform service delivery, generate on-going future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs.
10.	Projects identified in the Strategy can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. Inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements. For 2022/23, the actual financing will be approved as part of the Council's Capital Programme outturn and financing for the year.
11.	This strategy is based on prudent assumptions of future capital receipts and current available receipts which have not been budgeted to fund the capital programme.
	<u>IMPACT ON PRUDENTIAL INDICATORS</u>
12.	The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators
13.	The capital receipts proposed to be used as part of this strategy are already built into the Council's current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact on the Council's prudential indicators, as set out in the Council's Capital Strategy.
14.	The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit, given the low values.

This page is intentionally left blank

THE GENERAL FUND CAPITAL PROGRAMME 2022/23 TO 2027/28																																																			
INTRODUCTION																																																			
1.	<p>The purpose of this report is to update and to inform Council of any major changes in the overall General Fund (GF) Capital Programme for the period of 2022/23 to 2027/28, highlighting the changes in the programme since the last reported position to Cabinet in February 2023.</p> <p>The net result of the changes since the previous report is an increase to the General Fund programme of £11.17M.</p>																																																		
THE FORWARD CAPITAL PROGRAMME																																																			
2.	<p>Table 1 shows a comparison of the latest capital expenditure for the period 2022/23 to 2027/28 compared to the previously reported programme.</p>																																																		
<p><u>Table 1 – Programme Comparison</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Reported Programme</th> <th style="text-align: center;">2022/23 £M</th> <th style="text-align: center;">2023/24 £M</th> <th style="text-align: center;">2024/25 £M</th> <th style="text-align: center;">2025/26 £M</th> <th style="text-align: center;">2026/27 £M</th> <th style="text-align: center;">2027/28 £M</th> <th style="text-align: center;">Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td style="text-align: center;">98.15</td> <td style="text-align: center;">92.84</td> <td style="text-align: center;">60.40</td> <td style="text-align: center;">38.10</td> <td style="text-align: center;">76.93</td> <td style="text-align: center;">1.00</td> <td style="text-align: center;">367.41</td> </tr> <tr> <td>Previous</td> <td style="text-align: center;">118.68</td> <td style="text-align: center;">100.55</td> <td style="text-align: center;">40.09</td> <td style="text-align: center;">37.92</td> <td style="text-align: center;">59.02</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">356.25</td> </tr> <tr> <td>Variance</td> <td style="text-align: center;">(20.53)</td> <td style="text-align: center;">(7.70)</td> <td style="text-align: center;">20.31</td> <td style="text-align: center;">0.18</td> <td style="text-align: center;">17.91</td> <td style="text-align: center;">1.00</td> <td style="text-align: center;">11.17</td> </tr> </tbody> </table> <p style="text-align: right; font-size: small;"><i>NB: Table include rounded figures</i></p>								Reported Programme	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M	Latest	98.15	92.84	60.40	38.10	76.93	1.00	367.41	Previous	118.68	100.55	40.09	37.92	59.02	0.00	356.25	Variance	(20.53)	(7.70)	20.31	0.18	17.91	1.00	11.17												
Reported Programme	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M																																												
Latest	98.15	92.84	60.40	38.10	76.93	1.00	367.41																																												
Previous	118.68	100.55	40.09	37.92	59.02	0.00	356.25																																												
Variance	(20.53)	(7.70)	20.31	0.18	17.91	1.00	11.17																																												
3.	<p>Table 2 below details the General Fund Capital Programme by portfolio and shows the increase of £11.17M to a total of £367.41M.</p>																																																		
4.	<p>Paragraph 5 and annex 4.1 summarise the new schemes and changes to existing schemes by individual portfolio programmes.</p>																																																		
CHANGES TO THE PROGRAMME																																																			
5.	<p><u>Table 2 – Changes in Portfolio Programmes</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Latest Programme £M</th> <th style="text-align: center;">Previous Programme £M</th> <th style="text-align: center;">Total Net Change £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td style="text-align: center;">71.34</td> <td style="text-align: center;">71.34</td> <td style="text-align: center;">0.00</td> </tr> <tr> <td>Communities & Customer Engagement</td> <td style="text-align: center;">0.72</td> <td style="text-align: center;">0.72</td> <td style="text-align: center;">0.00</td> </tr> <tr> <td>Economic Development</td> <td style="text-align: center;">4.22</td> <td style="text-align: center;">4.37</td> <td style="text-align: center;">(0.15)</td> </tr> <tr> <td>Finance & Change</td> <td style="text-align: center;">21.37</td> <td style="text-align: center;">22.90</td> <td style="text-align: center;">(1.53)</td> </tr> <tr> <td>Health, Adults & Leisure</td> <td style="text-align: center;">31.62</td> <td style="text-align: center;">18.35</td> <td style="text-align: center;">13.27</td> </tr> <tr> <td>Housing & the Green Environment</td> <td style="text-align: center;">33.97</td> <td style="text-align: center;">32.85</td> <td style="text-align: center;">1.12</td> </tr> <tr> <td>Leader</td> <td style="text-align: center;">9.72</td> <td style="text-align: center;">9.72</td> <td style="text-align: center;">0.00</td> </tr> <tr> <td>Safer City</td> <td style="text-align: center;">0.66</td> <td style="text-align: center;">0.66</td> <td style="text-align: center;">0.00</td> </tr> <tr> <td>Transport & District Regeneration</td> <td style="text-align: center;">193.80</td> <td style="text-align: center;">195.35</td> <td style="text-align: center;">(1.55)</td> </tr> <tr> <td>Total GF Capital Programme</td> <td style="text-align: center;">367.41</td> <td style="text-align: center;">356.25</td> <td style="text-align: center;">11.17</td> </tr> </tbody> </table>								Latest Programme £M	Previous Programme £M	Total Net Change £M	Children & Learning	71.34	71.34	0.00	Communities & Customer Engagement	0.72	0.72	0.00	Economic Development	4.22	4.37	(0.15)	Finance & Change	21.37	22.90	(1.53)	Health, Adults & Leisure	31.62	18.35	13.27	Housing & the Green Environment	33.97	32.85	1.12	Leader	9.72	9.72	0.00	Safer City	0.66	0.66	0.00	Transport & District Regeneration	193.80	195.35	(1.55)	Total GF Capital Programme	367.41	356.25	11.17
	Latest Programme £M	Previous Programme £M	Total Net Change £M																																																
Children & Learning	71.34	71.34	0.00																																																
Communities & Customer Engagement	0.72	0.72	0.00																																																
Economic Development	4.22	4.37	(0.15)																																																
Finance & Change	21.37	22.90	(1.53)																																																
Health, Adults & Leisure	31.62	18.35	13.27																																																
Housing & the Green Environment	33.97	32.85	1.12																																																
Leader	9.72	9.72	0.00																																																
Safer City	0.66	0.66	0.00																																																
Transport & District Regeneration	193.80	195.35	(1.55)																																																
Total GF Capital Programme	367.41	356.25	11.17																																																

	<i>NB: Table include rounded figures</i>
6.	New additions total £23.72M and are offset by reductions to the programme of £12.56M. Details of the major projects are given in paragraphs 12-31.
7.	Approval is sought for the addition and spend of £10.45M to the General Fund programme to be funded as set out in annex 4.1.
8.	Approval is sought for the addition of £13.27M to the General Fund programme to be funded as set out in annex 4.1. The outdoor sports centre project is subject to a further approval to spend, as noted in paragraphs 10 and 16.
9.	Approval is sought for the reduction of £13.22M to the General Fund capital programme, as set out in paragraphs 12 to 31 and annex 4.1.
10.	Approval to spend is sought for £3.18M, £1.68M in 2022/23 and £1.50M in 2023/24 to progress delivery of the Masterplan of Improvements to Southampton's Outdoor Sports Centre, as detailed in paragraph 16.
11.	As part of the appraisal process, all projects are assessed to ensure that they meet the objectives of the Council. Table 3 summarises the items of major spend by programme.

Table 3 – Capital Spend by Programme

Programme	Major Project	2022/ 23 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M
Children & Learning	Early Years Expansion	0.23	0.23	0.00	0.00	0.00	0.00
	School Capital Maintenance	2.24	2.23	2.04	0.35	0.00	0.00
	Secondary Review & Expansion	8.94	0.96	2.99	0.00	0.00	0.00
	SEND Review & Expansion	5.11	3.45	3.89	8.78	25.82	0.00
	Childrens Services - Residential/Assessment Unit	0.05	2.26	0.00	0.00	0.00	0.00
	Other	1.74	0.04	0.00	0.00	0.00	0.00
Communities & Customer Engagement	Crematorium Refurbishment	0.51	0.00	0.00	0.00	0.00	0.00
	Other	0.21	0.00	0.00	0.00	0.00	0.00
Economic Development	Property Portfolio Enhancements	1.21	1.69	0.00	0.00	0.00	0.00
	Corporate Council Buildings	0.65	0.67	0.00	0.00	0.00	0.00
Finance & Change	Digital & IT	4.71	2.23	1.02	0.00	0.00	0.00
	Corporate Assets Decarbonisation Scheme (CADS)	1.28	4.65	0.00	0.00	0.00	0.00
	Materials Recycling Facility	0.00	0.00	0.00	3.45	0.00	0.00
	Transformation Programme	1.20	1.80	0.00	0.00	0.00	0.00
	Other	0.39	0.65	0.00	0.00	0.00	0.00
Health, Adults & Leisure	Outdoor Leisure	1.68	3.40	15.00	9.00	1.01	0.00
	Adult Social Care Projects	0.19	0.82	0.00	0.00	0.00	0.00
	Other	0.52	0.00	0.00	0.00	0.00	0.00
	River Itchen Flood Alleviation Scheme (RIFAS)	0.00	0.50	4.00	4.20	0.50	1.00

	Housing & the Green Environment	Fleet Investment	2.02	1.85	1.00	1.00	1.00	0.00
		Play Area Improvements	0.31	0.84	0.35	0.00	0.00	0.00
		Parks Development Works	2.13	1.52	0.00	0.00	0.00	0.00
		Coastal Erosion Measures	1.08	0.00	0.00	0.00	0.00	0.00
		Disabled Facilities Grant	1.78	3.39	1.90	0.00	0.00	0.00
		1000 Parking Spaces (GF)	1.37	0.00	0.00	0.00	0.00	0.00
		Other	1.82	0.41	0.00	0.00	0.00	0.00
	Leader	Heritage	2.17	4.46	2.35	0.75	0.00	0.00
	Safer City	Community Safety	0.66	0.00	0.00	0.00	0.00	0.00
	Transport & District Regeneration	Bridges Programme	0.63	1.46	4.50	0.00	0.00	0.00
		Highways Programme	16.31	15.08	9.54	0.75	0.00	0.00
		Integrated Transport	6.04	8.94	7.74	9.38	48.61	0.00
		Transforming Cities	27.89	19.89	0.01	0.00	0.00	0.00
		Future Transport Zone	3.02	8.18	4.08	0.44	0.00	0.00
		Other	0.07	1.26	0.00	0.00	0.00	0.00
		TOTAL	98.15	92.84	60.40	38.10	76.93	1.00

NB: Table includes rounded numbers

MAJOR PROGRAMME CHANGES

Children & Learning – Nil Net Movement

12. Due to the current difficult economic and financial environment the Council is working in, an extensive prioritisation exercise has been undertaken of the full Children & Learning programme. Several projects have seen significant construction cost increases since setting the original budgets, making it unaffordable to proceed as originally intended. Therefore, the review has led to a significant re-phasing of projects, particularly within Schools Condition Works. This has allowed for a reduction in borrowing, resulting in a revenue saving, as the school projects will now be fully funded by Government Grants. Some projects have also been identified as requiring further business cases, which will be presented to Capital Review Group, to assess where changes to scope and budget may be appropriate.

Economic Development - £0.15M Decrease

13. **Town Depot (£0.15M reduction)**
A historic budget held to support development at the old Town Depot site. Development is still continuing but there is no obligation for the Council to fund. This reduction was to be funded from Council Resources.

Finance & Change - £1.53M Decrease

14. **Materials Recycling Facility (£0.53M addition)**
As part of the Tri-partite agreement for delivering waste services we are responsible for ensuring suitable facilities are available. With the increasing need recycle more, a new provision is being proposed for which we already have a budget in the programme. Hampshire County Council are leading on the scheme and have now provided updated costings, of which the Council

	<p>is contractually obliged to pay 11.48% of the cost of the shared infrastructure. Therefore, additional budget is required to increase the project to £3.45M in total. The project is currently at planning approval stage and will therefore slip until 2025/26. This addition will be funded by Council Resources.</p>
15.	<p><u>Civic Centre Upgrade (£2.00M reduction)</u></p> <p>The construction element of this project has now come to end, after successfully implementing The Way We Work model across the organisation. This reduction was to be funded by Council Resources.</p>
	<p><u>Health, Adults & Leisure - £13.27M Increase</u></p>
16.	<p><u>Outdoor Sport Centre (£13.27M addition)</u></p> <p>The exciting plans to expand inclusive access to sport and opportunities to be active at Southampton's Outdoor Sports Centre have been given the green light by the Levelling Up Fund (LUF) and the council's attention can now turn to delivering the improvements, cementing the legacy of the UEFA Women's Euros in Southampton while reducing inequality in physical activity and helping to improve quality of life in the city.</p> <p>The Masterplan of Improvements to Southampton's Outdoor Sports Centre is expected to deliver £98.8M of monetised benefits.</p> <p>The £20M grant award will enable the Council to deliver an enhanced £30M project and has enabled a reduction in Council Resources, which has resulted in the £13.27M net increase. At time of writing this report, phasing and delivery of the funding is unknown and therefore it should be noted that the phasing of the budget is provisional.</p> <p>Approval to spend had not previously been given for this project, whilst awaiting the outcome of LUF bid. Therefore, approval is sought for the spend of £3.18M (£1.68M in 2022/23 and £1.50M in 2023/24) to allow works to progress immediately with a pre-construction services agreement (PCSA) and complete planning approval. The full business case for the project will then be reported in Autumn 2023.</p>
	<p><u>Housing & the Green Environment - £1.12M Increase</u></p>
17.	<p><u>Disabled Facilities Grant (£3.80M addition)</u></p> <p>The additional is the funded awarded from the Better Care Fund to support disabled adaptations to enable residents to remain in their homes and have their support needs met. The next two years grant allocation have been added, £1.90M in 2023/24 and £1.90M in 2024/25. This will be funded by Government Grant.</p>
18.	<p><u>SANGS Improvements Works (£0.74M addition)</u></p> <p>The Council has committed to mitigating the impacts to Special Protection Areas from development. It has previously been agreed that 10% of all receipts taken under the Community Infrastructure Levy (CIL) would be used towards the provision of public open space and/or Suitably Accessible Natural Green Space (SANGS) within the City, with a minimum of 5% directed</p>

	specifically towards SANGS. From January 2019 20% of the ring-fenced SANGS contribution will be directed towards the mitigation within the New Forest. Work will be undertaken across the city to improve footpaths and greenways. This will be funded by CIL contributions.
19.	<u>Members Minor Works - Parks and Open Spaces (£0.24M addition)</u> This is a virement from the Local Transport Improvement Fund (MMW) project, see paragraph 28, so nil net effect on the programme. It will better align the funding to the service responsible for delivery and allow project managers greater control over their budgets. This will be funded by CIL contributions.
20.	<u>Green City Action Plan (£0.48M reduction)</u> Future projects will be subject to individual business cases being assessed before being added to the programme at a later date. This reduction was to be funded by Council Resources.
21.	<u>Purchase of Fleet Vehicles (£2.00M reduction)</u> A Fleet Modernisation project is to be undertaken in 2023/24 to assess the Council's current and future needs. Once the outcome of this is known, an updated fleet procurement strategy will be able to be developed which will inform the capital programme. This reduction was to be funded by Council Resources.
22.	<u>1000 Parking Spaces (GF Element) (£0.75M reduction)</u> The 1000 parking spaces project remains under active review. The remaining budget is being reduced and the expectation is any new spend will be covered by existing budgets for the General Fund. This reduction was to be funded by Council Resources.
23.	<u>S106 - Open Spaces (£0.43M reduction)</u> Following a review of all S106 contributions, it has been decided to use these funds to reduce borrowing within the Open Spaces programme overall, making use of the funds as they were intended under the S106 agreements and enhancing parks and open spaces within the City.
	<u>Transport & District Regeneration - £1.55M Decrease</u>
24.	<u>S106 Contributions (£0.27M net addition)</u> Addition of S106 contributions received in the year, to allow work to be undertaken as set out within the S106 agreements, as set out in the summary below.

	Project	2023/24 £M	2024/25 £M	Total £M																																
	Travel to School	0.00	0.07	0.07																																
	Accessibility	0.00	0.01	0.01																																
	Bus Corridor Minor Works	0.01	0.05	0.06																																
	Improved Safety	0.10	0.00	0.10																																
	Highways Improvements (Developer)	(0.10)	0.04	(0.06)																																
	Street Lighting	0.02	0.00	0.02																																
	Transforming Cities Fund	0.09	0.00	0.09																																
	Cycling	0.03	0.00	0.03																																
	S106 – Highways	(0.05)	0.00	(0.05)																																
	Total Net Addition	0.10	0.17	0.27																																
25.	<p><u>Highways Budgets (nil net movement)</u></p> <p>An extensive review has been undertaken to ensure that the budgets for the next two years are accurate and reflect anticipated spend. Previously when budget has been added it was allocated to either the Highways or Additional Roads project code. These two projects have been combined to become the Carriageways programme, in an effort to simplify the budgets, giving clarity and transparency of the total spend. It also provides project managers greater control, by having budgets aligned to service delivery. £4.70M has then been reallocated, as shown below, to specific areas of spend which are separately identifiable within the Highways programme. The overall budget has not changed and approval to spend was given as part of the February 2022 budget update. The final programme is detailed in Annex 4.2. These projects are funded by Government Grants.</p> <table border="1"> <thead> <tr> <th>Project</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Pothole Action Fund</td> <td>0.50</td> <td>0.50</td> <td>1.00</td> </tr> <tr> <td>Footways - Various Treatments</td> <td>0.91</td> <td>0.91</td> <td>1.82</td> </tr> <tr> <td>Essential Highways Minor Works</td> <td>0.09</td> <td>0.09</td> <td>0.18</td> </tr> <tr> <td>Highways Drainage Investigations</td> <td>0.25</td> <td>0.25</td> <td>0.50</td> </tr> <tr> <td>Road Restraint Systems</td> <td>0.30</td> <td>0.30</td> <td>0.60</td> </tr> <tr> <td>Other Bridge Works</td> <td>0.30</td> <td>0.30</td> <td>0.60</td> </tr> <tr> <td>Carriageways</td> <td>(2.35)</td> <td>(2.35)</td> <td>(4.70)</td> </tr> </tbody> </table>				Project	2023/24 £M	2024/25 £M	Total £M	Pothole Action Fund	0.50	0.50	1.00	Footways - Various Treatments	0.91	0.91	1.82	Essential Highways Minor Works	0.09	0.09	0.18	Highways Drainage Investigations	0.25	0.25	0.50	Road Restraint Systems	0.30	0.30	0.60	Other Bridge Works	0.30	0.30	0.60	Carriageways	(2.35)	(2.35)	(4.70)
Project	2023/24 £M	2024/25 £M	Total £M																																	
Pothole Action Fund	0.50	0.50	1.00																																	
Footways - Various Treatments	0.91	0.91	1.82																																	
Essential Highways Minor Works	0.09	0.09	0.18																																	
Highways Drainage Investigations	0.25	0.25	0.50																																	
Road Restraint Systems	0.30	0.30	0.60																																	
Other Bridge Works	0.30	0.30	0.60																																	
Carriageways	(2.35)	(2.35)	(4.70)																																	
26.	<p><u>M27/M3 Travel Demand Management (£0.36M reduction)</u></p> <p>The initial aim of the programme was to minimise disruption to customer journeys and business/service operations in the Solent area during the construction of the M27 and M3 smart motorways between 2020 and 2023. It was originally envisaged the programme would comprise of 3 work packages, funded from the award of £1.7M grant. These were: -</p> <ol style="list-style-type: none"> 1) Business engagement (to influence work and travel policies) 2) Strategic communications (to influence individuals towards more sustainable forms of transport) 3) Alternative public transport measures (such as temporary park and ride facilities and shuttle bus provision to business parks and other key locations). 																																			

	<p>Work packages 1 and 2 are revenue based and 3 involved potential capital spend. Almost immediately following the funding award Covid-19 lockdown happened, which restricted construction of the M27 J4-11 smart motorway. This meant that the disruption to customer journeys envisaged during the scheme didn't occur, nor was it possible to employ capital based alternative public transport options. The scheme was also caught up in the national moratorium for smart motorways.</p> <p>As a result of these factors National Highways have taken the decision to concentrate on work packages 1 and 2, and not utilise work package 3. To date the delivery team have worked successfully to deliver the active work packages, and the scope has been extended to the end of 2023/2024. Therefore, the funding now needs to transfer from capital to revenue, to support work delivery of packages 1 and 2. with the agenda of influencing moves to use of more sustainable and active travel modes, reduce traffic congestion and carbon emissions in Solent, and improve air quality.</p>
27.	<p><u>Other Bridge Works (£0.95M reduction)</u></p> <p>Funding had been earmarked within the budget to support the proposed enhancements to the Itchen Bridge, as this has now been added to the programme as a separate larger project, this funding is no longer required. This reduction was to be funded by Council Resources.</p>
28.	<p><u>ITS (£0.27M reduction)</u></p> <p>This budget is being reduced to transfer the grant funding to be used to support the Safer Street project. There were no specific plans for this element of the funding, so delivery of the ITS project will not be affected. This action will allow for a reduction in council resources.</p>
29.	<p><u>Local Transport Improvement Fund (MMW) (£0.24M reduction)</u></p> <p>This is a virement to the Members Minor Works - Parks and Open Spaces project, see paragraph 18, so nil net effect on the programme. It will better align the funding to the service responsible for delivery and allow project managers greater control over their budgets. This will be funded by CIL contributions.</p>
30.	<p><u>Northam Rail Bridge (nil net movement)</u></p> <p>This has been reprofiled to reflect a better understanding of when construction may be able to begin. The project is heavily reliant on grant funding and therefore timescales at present are largely out of our control. Work is continuing on the business case and should funding become available the Council will be in strong position to respond. The new estimated profile is detailed in annex 4.2.</p>
31.	<p><u>Future Transport Zone (FTZ) (nil net movement)</u></p> <p>In Oct 2022, the Solent FTZ programme received written notification from Department for Transport (DfT) that a request for an extension to the FTZ programme of one year (from June 2024 to June 2025) had been approved. No additional funding was requested beyond what was originally awarded and has been allocated as it was made very clear by the DfT that none was available.</p>

	<p>This extension provides additional scope for the FTZ to meet its original objectives and deliverables, while also enabling more comprehensive monitoring/evaluation and the ability to recruit and retain staff.</p> <p>As a result of this extension being granted a comprehensive financial reprofiling exercise has subsequently been undertaken to recognise and enable the extension of the programme for an additional year to June 2025 within the confines of the original funding award. A breakdown of individual projects is included in annex 4.2.</p> <p>Approval to spend is requested for the ongoing Future Transport Zone programme, £6.03M in 2022/23, £10.82M in 2023/24 and £5.40M in 2024/25.</p>
	FUTURE PLANS
32.	<p>Given the pressure on resources available to fund to the programme, priority has been given to reviewing existing budgets and delivery, which predominately is within the first 3 years of the programme. During 2023/24 further work will be undertaken to review years 4 and 5 to fully establish the needs of the Council and assess future funding, focusing on the Education, Transport and Highways programmes.</p>
33.	<p>Within the City there are a number of exciting opportunities that are being considered, to increase residents and visitors experience whilst in Southampton. Among these are the Outdoor Sports Centre, The Transforming Cities Fund (TCF), Special Educational Needs and Disability (SEND) support and River Itchen Flood Alleviation Scheme. A key development is also the Freeport.</p> <p>Southampton City Council is part of the Solent Freeport arrangement alongside other local councils and major businesses. Following work with the Local Enterprise Partnership, other local authorities and others, the council was part of a final business case submitted to Government which lead to the Freeport status being confirmed in November 2022.</p> <p>Freeports are areas designated by the government that will benefit from a range of incentives to encourage economic activity, which includes relief from business rates. Local authorities benefit from retaining 100% of the growth in business rates within the freeport area, and Southampton City Council has agreed to pool this benefit with other local authorities in order to maximise the return and invest the growth in developing the Freeport further. The benefits of the Freeport include:</p> <ul style="list-style-type: none"> • Tax sites gives businesses operating within them access to certain tax benefits i.e. Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance, Stamp Duty Land Tax reliefs, Employers National Insurance Contribution relief, and Business rate relief • Customs sites gives businesses tariff benefits for non-GB goods imported into them • The current expected value of retained business rates is £485M over a 25-year period. This will be primarily applied to the shared Pool, and decisions taken via the Solent Freeport Board on how

	<p>this should be used to benefit the Freeport, the local economy and residents.</p> <ul style="list-style-type: none"> • £25M of Seed capital funding upfront from Government. • Expected investment from the private sector, seeking the benefits of the Freeport. This has been estimated at up to £1.6bn • A total of 26,000 jobs created in the Solent and £2.0bn of GVA.
34.	<p>In terms of future investment plans, the following are major schemes within the current capital programme:</p> <p>The Outdoor Leisure Centre (£30.1M): was recently the beneficiary of a successful bid for Levelling up funding, and this investment will allow for a major improvement and enhancement of these facilities. £20M of funding support is expected to assist with this investment from the successful bid.</p> <p>SEND support (£45.2M): major investment is planned to create more local places for SEND school support. This will expand, refurbish and reconfigure the specialist educational provision within the city to ensure that it is fit for the future with up to 246 additional places.</p> <p>Transforming Cities Fund (TCF) (£47.8M): This continues the work to deliver an ambitious proposal of transport investment to sustainably connect people from where they live to the City Centre, places of work, education and leisure, aiming to increase the number of people cycling, walking and using public transport, reduce congestion and to improve air quality.</p> <p>River Itchen Flood Alleviation Scheme (RIFAS) (£10.2M): This is planned as the Council contribution to a much larger investment scheme with the aim to better protect homes and businesses and support future regeneration opportunities by reducing flood risk.</p>
	<p>CAPITAL RESOURCES</p>
35.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Council Resources – Borrowing – this is then funded via a capital financing cost from revenue; • Council Resources - Capital Receipts from the sale of HRA assets (which are then ring-fenced for HRA use with the housing stock); • Council Resources - Capital Receipts from the sale of General Fund assets; • Contributions from third parties; • Central Government Grants and from other bodies ; and • Direct Revenue Financing.
36.	<p>It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However, in 2022/23 those grants have been passported to these areas. These assumptions will be monitored closely, and any updates reported as part on the monthly monitoring process; should any grants not materialise then the projects affected will need to be reconsidered.</p>

37.	The forecast for borrowing costs in 2022/23 is £16.67M, of which £5.15M relates to the HRA. This is expected to rise to £31.92M (£11.22M HRA) by 2025/26 to accommodate the capital programme, utilisation of reserves and refinancing of borrowing. More information can be found at section 2.4.10 of the Capital Strategy. The proportion of the revenue budget allocated to capital financing will increase from 9.4% for 2022/23 to 12.15% for 2025/26.																																
38.	Table 4 shows the current level of available resources.																																
	<p>Table 4 – Available Capital Funding</p> <table border="1"> <thead> <tr> <th>Resource</th> <th>Balance B/Fwd. £M</th> <th>Received to Date 2022/23 £M</th> <th>Allocated to Current Programme £M</th> <th>Available Funding £M</th> <th>Anticipated Receipts 2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td>(1.84)</td> <td>(0.15)</td> <td>3.33</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>CIL</td> <td>(15.56)</td> <td>(0.72)</td> <td>31.08</td> <td>0.00</td> <td>(0.24)</td> </tr> <tr> <td>S106</td> <td>(9.43)</td> <td>(1.03)</td> <td>8.08</td> <td>(2.38)</td> <td>(0.10)</td> </tr> <tr> <td></td> <td>(26.83)</td> <td>(1.90)</td> <td>42.49</td> <td>(2.38)</td> <td>(0.34)</td> </tr> </tbody> </table>	Resource	Balance B/Fwd. £M	Received to Date 2022/23 £M	Allocated to Current Programme £M	Available Funding £M	Anticipated Receipts 2022/23 £M	Capital Receipts	(1.84)	(0.15)	3.33	0.00	0.00	CIL	(15.56)	(0.72)	31.08	0.00	(0.24)	S106	(9.43)	(1.03)	8.08	(2.38)	(0.10)		(26.83)	(1.90)	42.49	(2.38)	(0.34)		
Resource	Balance B/Fwd. £M	Received to Date 2022/23 £M	Allocated to Current Programme £M	Available Funding £M	Anticipated Receipts 2022/23 £M																												
Capital Receipts	(1.84)	(0.15)	3.33	0.00	0.00																												
CIL	(15.56)	(0.72)	31.08	0.00	(0.24)																												
S106	(9.43)	(1.03)	8.08	(2.38)	(0.10)																												
	(26.83)	(1.90)	42.49	(2.38)	(0.34)																												
39.	Table 4 shows that the largest resource is Community Infrastructure Levy (CIL) funding. There is currently more allocated to the programme than receipts to date, but this is based on prudent assumptions about future developments within the City and therefore CIL receipts.																																
40.	Capital receipts are currently being used to fund transformation projects which are being capitalised as per the Council's Flexible Use of Capital Receipts Strategy, which is include for approval as part of this report in appendix 4. Under the guidance, ' <i>expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners</i> ' may be funded by capital receipts.																																
41.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been small movement since the last reported position.																																
42.	<p>Table 5 – General Fund Capital Receipts Estimates</p> <table border="1"> <thead> <tr> <th>Forecast</th> <th>B/Fwd. £M</th> <th>2022/ 2023 £M</th> <th>2023/ 2024 £M</th> <th>2024/ 2025 £M</th> <th>2025/ 2026 £M</th> <th>2026/ 2027 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>(1.84)</td> <td>(0.15)</td> <td>(1.57)</td> <td>0.00</td> <td>0.00</td> <td>(0.35)</td> <td>(3.91)</td> </tr> <tr> <td>Previous</td> <td>(1.84)</td> <td>(1.95)</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>(3.79)</td> </tr> <tr> <td>0.00</td> <td>0.00</td> <td>1.80</td> <td>(1.57)</td> <td>0.00</td> <td>0.00</td> <td>(0.35)</td> <td>(0.12)</td> </tr> </tbody> </table>	Forecast	B/Fwd. £M	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M	Latest	(1.84)	(0.15)	(1.57)	0.00	0.00	(0.35)	(3.91)	Previous	(1.84)	(1.95)	0.00	0.00	0.00	0.00	(3.79)	0.00	0.00	1.80	(1.57)	0.00	0.00	(0.35)	(0.12)
Forecast	B/Fwd. £M	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M																										
Latest	(1.84)	(0.15)	(1.57)	0.00	0.00	(0.35)	(3.91)																										
Previous	(1.84)	(1.95)	0.00	0.00	0.00	0.00	(3.79)																										
0.00	0.00	1.80	(1.57)	0.00	0.00	(0.35)	(0.12)																										
	OVERALL CAPITAL PROGRAMME																																
43.	Tables 6 and 7 below show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2027/28. Annex 4.2 provides details of each portfolios latest programme and the financing of that programme.																																

<u>Table 6 – Capital Expenditure by Programme</u>							
Programme	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Children & Learning	.	9.17	8.92	9.13	25.82	0.00	71.34
Communities & Customer Engagement	0.72	0.00	0.00	0.00	0.00	0.00	0.72
Economic Development	1.86	2.35	0.00	0.00	0.00	0.00	4.22
Finance & Change	7.58	9.33	1.02	3.45	0.00	0.00	21.37
Health, Adults & Leisure	2.39	4.22	15.00	9.00	1.01	0.00	31.62
Housing & the Green Environment	10.51	8.51	7.25	5.20	1.50	1.00	33.97
Leader	2.17	4.46	2.35	0.75	0.00	0.00	9.72
Safer City	0.66	0.00	0.00	0.00	0.00	0.00	0.66
Transport & District Regeneration	53.95	54.81	25.87	10.57	48.61	0.00	193.80
Total General Fund Programme	98.15	92.84	60.40	38.10	76.93	1.00	367.41
<u>Table 7 – Use of Resources</u>							
Capital Grants	(53.39)	(48.18)	(33.43)	(16.41)	(42.38)	0.00	(193.79)
Contributions	(18.93)	(9.40)	(9.20)	(8.06)	(1.25)	(1.00)	(47.84)
Revenue Financing	(0.07)	(2.00)	(1.00)	0.00	0.00	0.00	(3.07)
Capital Receipts	(1.20)	(1.80)	0.00	0.00	(0.33)	0.00	(3.33)
CR – Borrowing	(24.55)	(31.47)	(16.76)	(13.63)	(32.97)	0.00	(119.38)
Total	(98.15)	(92.84)	(60.40)	(38.10)	(76.93)	(1.00)	(367.41)
*CR – Council Resources				NB: Table includes rounded figures			
44.	Table 7 demonstrates that the most significant amount of funding for the General fund programme is provided by Grants, as noted above predominately relating to schools and transport/highways. Council Resources is the next main source of funding, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision, which is detailed within the revenue budget.						
45.	Every effort will be made to explore external funding opportunities to reduce the need for borrowing. On average every £1M borrowed will incur revenue financing charges (interest and MRP) of £0.08M. Should grants or contributions be made available to the Council in the future, these will be reported as part of the routine financial monitoring process.						
46.	As part of the revenue savings proposals there is a proposal to utilise £7.50M of CIL contributions to fund the programme and reduce the reliance on borrowing. Given rising interest rates it would not be prudent to use borrowing						

	<p>when there is CIL funding available to support enhancement of the infrastructure throughout the city. Ongoing inflationary pressures throughout the national economy have contributed increasing construction costs on several projects and this funding will allow projects proceed as planned. Projects to receive this funding include carriageways, footpaths, schools and heritage assets.</p> <p>Resources within the capital programme will continue to be used to support the four prime ambitions set out within the agreed Corporate Plan, namely:</p> <ul style="list-style-type: none"> • Strong foundations for life • A proud and resilient City • A prosperous City • A successful sustainable organisation
CAPITAL STRATEGY	
47.	<p>The Council needs to have a fit for purpose Capital Strategy to ensure that all the Council's priorities are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for 2023/24 and this is attached in appendix 2.</p>
48.	<p>The Prudential Code for Capital Finance in Local Authorities requires authorities to produce a capital strategy. The guidance outlines a number of key factors which they recommend be included in a capital strategy:</p> <ul style="list-style-type: none"> • The strategy should be formally approved by Council; • Clearly sets out the forthcoming capital expenditure of the Council; • There should be a clear link to the treasury management strategy, therefore including prudential indicators; • Focus on commercial activity and associated risks; • Long term impact and liabilities of decisions being undertaken; • Knowledge and skills of responsible officers.
49.	<p>Prudential Indicators are an indication that capital investment planning and the Authority's borrowing decisions are prudent and sustainable.</p> <p>HRA prudential indicators by statute are ring-fenced and are calculated separately.</p> <p>The prudential indicators have been set for the forthcoming period and comprise of three main components relating to: -</p> <ul style="list-style-type: none"> • Capital Expenditure – Estimates of Capital Expenditure and Capital Financing, Current and Estimated Movement in the Capital Financing Requirement i.e. the Authority's underlying need to borrow; • External Debt – Current and Estimated Movement in Gross Debt. Authorised limits for Borrowing set by the Authority and the Operational Boundary for Total External Debt (excluding investments) and separate identification for borrowing against debt and other long-term liabilities. Other indicators outline the estimated movement in borrowing requirement and loans over the forthcoming five-year period; and • Affordability – the Ratio of Financing Costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs.

50.	In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. The Council's MRP policy is detailed in Annex 2.1 and requires approval as part of this report.
51.	<p>In preparing the capital strategy, the Authority will also take into account:</p> <ul style="list-style-type: none"> • The Council's Treasury Strategy, to be approved by Governance on 13th February 2023; • The Council's Investment Strategy which is detailed in Annex 2.2 and requires approval as part of this report.

Annexes	
4.1.	Variations to the General Fund Capital Programme Since Q3
4.2.	General Fund Capital Programme – Scheme Details

This page is intentionally left blank

GENERAL FUND & HRA: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Portfolio	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source	App. 4 Ref
<u>Additions to the Programme</u>					
Children & Learning	Newlands Resource Base	0.66	*	Government Grant	
	Schools Condition Works	0.06	^	Government Grant	11
		<u>0.72</u>			
Finance & Change	Materials Recycling Facility	<u>0.53</u>	^	Council Resources	13
Health, Adults & Leisure	Outdoor Sports Centre	<u>13.27</u>	^	Government Grant	15
Housing & the Green Environment	Disabled Facilities Grants	3.80	^	Government Grant	16
	SANGS Improvements Works	0.74	^	CIL Contributions	17
	Members Minor Works - Parks and Open Spaces	0.24	^	CIL Contributions	18
		<u>4.78</u>			
Transport & District Regeneration	Travel to School	0.07	^	S106 Contributions	23
	Accessibility	0.01	^	S106 Contributions	23
	Bus Corridor Minor Works	0.06	^	S106 Contributions	23
	Improved Safety	0.10	^	S106 Contributions	23
	Street Lighting	0.02	^	S106 Contributions	23
	Cycling	0.03	^	S106 Contributions	23
	Transforming Cities Fund	0.09	^	S106 Contributions	23
	Pothole Action Fund	1.00	^	Government Grant	24
	Footways - Various Treatments	1.82	^	Government Grant	24
	Essential Highways Minor Works	0.18	^	Government Grant	24
	Highways Drainage Investigations	0.50	^	Government Grant	24
	Road Restraint Systems	0.60	^	Government Grant	24
	Other Bridge Works	0.60	^	Government Grant	24
		<u>5.08</u>			
Total Additions to the GF Programme		<u>24.38</u>			
<u>Reductions to the Programme</u>					
Children & Learning	Healthy Pupil	(0.02)	*	Government Grant	
	Schools Condition Works	(0.64)	*	Government Grant	
	Modular relocation (Springwell to Vermont)	(0.01)	^^	Government Grant	11
	Reconfiguration of Compass School Green Lane	(0.05)	^^	Government Grant	11
	<u>(0.72)</u>				
Economic Development	Town Depot	<u>(0.15)</u>	^^	Council Resources	12
Finance & Change	PA System	(0.06)	^^	Council Resources	-
	Civic Centre Upgrade	<u>(2.00)</u>	^^	Council Resources	14
	<u>(2.06)</u>				
Housing & the Green Environment	Green City Action Plan	(0.48)	^^	Council Resources	19
	Purchase of Fleet Vehicles	(2.00)	^^	Council Resources	20
	1000 Parking Spaces (GF Element)	(0.75)	^^	Council Resources	21
	S106 - Open Spaces	<u>(0.43)</u>	^^	S106 Contributions	22
	<u>(3.66)</u>				
Transport & District Regeneration	Highways Improvements (Developer)	(0.06)	^^	S106 Contributions	23
	S106 - Highways	(0.05)	^^	S106 Contributions	23
	Carriageways	(4.70)	^^	Government Grant	24
	M27/M3 Travel Demand Management	(0.36)	^^	Government Grant	25
	Other Bridge Works	(0.95)	^^	Council Resources	26
	ITS	(0.27)	^^	Government Grant	27
	Local Transport Improvement Fund (MMW)	<u>(0.24)</u>	^^	CIL Contributions	28
	<u>(6.63)</u>				
Total Reductions to the GF Programme		<u>(13.22)</u>			
Total Variations to the GF Programme		<u>11.17</u>			
		£M			
	* - Approved By Council/Cabinet	0.00			
	** - Approved under Delegated Powers	0.00			
	To be Approved Addition & Spend	10.45			
	Addition Only	13.27			
	Reduction	<u>(12.56)</u>			
Total Variations to the Overall Programme		<u>11.17</u>			

This page is intentionally left blank

Children & Learning

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CC0010	Springhill Primary Academy School - one modular building	0.000	0.039	0.000	0.000	0.000	0.000	0.039
CC0014	St Denys	0.004	0.000	0.000	0.000	0.000	0.000	0.004
CC0020	Schools Condition Works	2.029	1.516	1.595	0.145	0.000	0.000	5.285
CC0021	Early Years Expansion Programme	0.231	0.227	0.000	0.000	0.000	0.000	0.458
CC0023	St Mark's School	6.228	0.550	0.000	0.000	0.000	0.000	6.778
CC0035	Regent Park Expansion	0.174	0.000	0.000	0.000	0.000	0.000	0.174
CC0037	St George's Expansion	0.156	0.370	1.621	0.000	0.000	0.000	2.147
CC0038	Cantell Secondary Expansion	0.026	0.000	0.000	0.000	0.000	0.000	0.026
CC0039	Chamberlayne Refurbishment	2.345	0.000	0.000	0.000	0.000	0.000	2.345
CC0042	Sure Start Sholing Year R Springwell	0.062	0.000	0.000	0.000	0.000	0.000	0.062
CC0044	Regent Park Sports Facility	0.015	0.000	1.328	0.000	0.000	0.000	1.343
CC0047	Mount Pleasant Junior Health & Safety	0.006	0.000	0.000	0.000	0.000	0.000	0.006
CC0048	Newlands Resource Base	0.484	1.189	0.000	0.000	0.000	0.000	1.673
CC0049	SEND Review	4.577	2.145	3.890	8.780	25.820	0.000	45.212
CC0050	Childrens Services- Residential Unit	0.000	1.663	0.000	0.000	0.000	0.000	1.663
CC0051	Childrens Services- Assessment Unit	0.049	0.600	0.000	0.000	0.000	0.000	0.649
CC0052	Maytree School Playground	0.000	0.010	0.040	0.000	0.000	0.000	0.050
CC0053	Surestart	0.033	0.000	0.000	0.000	0.000	0.000	0.033
CC0055	Modular relocation & purchase from Springwell to Vermont	0.021	0.000	0.000	0.000	0.000	0.000	0.021
CC0056	Reconfiguration of Compass School Green Lane	0.050	0.020	0.000	0.000	0.000	0.000	0.070
CC0057	Polygon All Weather Pitch	0.050	0.000	0.000	0.000	0.000	0.000	0.050
CC0058	St Marks ICT Equipment	0.000	0.041	0.041	0.000	0.000	0.000	0.082
CC0059	St Monica's Academisation	1.260	0.000	0.000	0.000	0.000	0.000	1.260
CC0060	Young Peoples Hub	0.305	0.000	0.000	0.000	0.000	0.000	0.305
CC0061	SEND - 2 primary classrooms for Sept 22	0.000	0.100	0.000	0.000	0.000	0.000	0.100
CC0062	Townhill Junior	0.200	0.700	0.400	0.200	0.000	0.000	1.500
		18.305	9.170	8.915	9.125	25.820	0.000	71.335

Sources of Finance

Council Resources	0.882	2.558	0.000	5.520	25.820	0.000	34.780
Contributions	1.617	0.000	0.000	0.000	0.000	0.000	1.617
Grant	15.806	6.612	8.915	3.605	0.000	0.000	34.938
Total Programme	18.305	9.170	8.915	9.125	25.820	0.000	71.335

Communities & Customer Engagement

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0237	Solent SkySky Museum	0.060	0.000	0.000	0.000	0.000	0.000	0.060
CG0244	British Library IP Centre	0.075	0.000	0.000	0.000	0.000	0.000	0.075
CG0266	Community CIL Awards	0.064	0.000	0.000	0.000	0.000	0.000	0.064
CT0074	S106 - Air Quality	0.011	0.000	0.000	0.000	0.000	0.000	0.011
CT0081	Crematorium Refurbishment	0.514	0.000	0.000	0.000	0.000	0.000	0.514
		0.724	0.000	0.000	0.000	0.000	0.000	0.724

Sources of Finance

Council Resources	0.294	0.000	0.000	0.000	0.000	0.000	0.294
Contributions	0.355	0.000	0.000	0.000	0.000	0.000	0.355
Grant	0.075	0.000	0.000	0.000	0.000	0.000	0.075
Total Programme	0.724	0.000	0.000	0.000	0.000	0.000	0.724

Economic Development

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0148	Town Depot	0.060	0.000	0.000	0.000	0.000	0.000	0.060
CG0246	Belgrave Industrial Estate Roof	1.000	0.000	0.000	0.000	0.000	0.000	1.000
CG0248	Works to Winchester Road Property	0.150	1.687	0.000	0.000	0.000	0.000	1.837
CG0268	Corporate Council Buildings	0.654	0.666	0.000	0.000	0.000	0.000	1.320
		1.864	2.353	0.000	0.000	0.000	0.000	4.217
Sources of Finance								
	Council Resources	1.842	2.353	0.000	0.000	0.000	0.000	4.195
	Contributions	0.022	0.000	0.000	0.000	0.000	0.000	0.022
	Total Programme	1.864	2.353	0.000	0.000	0.000	0.000	4.217

Finance & Change

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CA0010	Client Case Management System	0.527	0.000	0.000	0.000	0.000	0.000	0.527
CA0012	CareDirector	1.765	0.720	0.000	0.000	0.000	0.000	2.485
CG0158	Civic Centre Upgrade	0.332	0.649	0.000	0.000	0.000	0.000	0.981
CG0211	IT Equipment and Software Refresh	2.209	1.506	1.015	0.000	0.000	0.000	4.730
CG0220	Public Sector Decarbonisation Scheme	0.058	0.000	0.000	0.000	0.000	0.000	0.058
CG0251	Materials Recycling Facility	0.000	0.000	0.000	3.450	0.000	0.000	3.450
CG0270	Transformation programme	1.200	1.800	0.000	0.000	0.000	0.000	3.000
CI0002	CRM Phase 2	0.037	0.000	0.000	0.000	0.000	0.000	0.037
CI0030	Digital Customer Content Management	0.031	0.000	0.000	0.000	0.000	0.000	0.031
CI0040	Contact Centre Telephony	0.138	0.000	0.000	0.000	0.000	0.000	0.138
CT0091	Corporate Assets Decarbonisation Scheme (CADS)	1.281	4.650	0.000	0.000	0.000	0.000	5.931
		7.578	9.325	1.015	3.450	0.000	0.000	21.368
Sources of Finance								
	Council Resources	6.120	7.525	1.015	3.450	0.000	0.000	18.110
	Capital Receipts	1.200	1.800	0.000	0.000	0.000	0.000	3.000
	Grants	0.258	0.000	0.000	0.000	0.000	0.000	0.258
	Total Programme	7.578	9.325	1.015	3.450	0.000	0.000	21.368

Health, Adults & Leisure

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CA0003	S106 - Centenary Quay	0.015	0.000	0.000	0.000	0.000	0.000	0.015
CA0006	Telecare Equipment	0.100	0.203	0.000	0.000	0.000	0.000	0.303
CA0009	Integrated Working	0.000	0.100	0.000	0.000	0.000	0.000	0.100
CA0011	Holcroft House - Fire Safety Measures	0.090	0.520	0.000	0.000	0.000	0.000	0.610
CG0139	Outdoor Sports Centre Improvements	1.680	3.400	15.000	9.000	1.005	0.000	30.085
CT0095	Golf Course	0.504	0.000	0.000	0.000	0.000	0.000	0.504
		2.389	4.223	15.000	9.000	1.005	0.000	31.617
Sources of Finance								
	Council Resources	1.025	0.823	2.732	1.891	0.067	0.000	6.538
	Capital Receipts	0.000	0.000	0.000	0.000	0.325	0.000	0.325
	Contributions	0.244	1.133	2.268	1.109	0.000	0.000	4.754
	Grants	1.120	2.267	10.000	6.000	0.613	0.000	20.000
	Total Programme	2.389	4.223	15.000	9.000	1.005	0.000	31.617

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0200	S106 - Play Areas	0.189	0.000	0.000	0.000	0.000	0.000	0.189
CG0233	Hoarders Project	0.058	0.000	0.000	0.000	0.000	0.000	0.058
CG0236	1000 Parking Spaces (General Fund Element)	1.371	0.000	0.000	0.000	0.000	0.000	1.371
CG0265	River Itchen Flood Alleviation Scheme (RIFAS)	0.000	0.500	4.000	4.200	0.500	1.000	10.200
CT0001	Purchase of vehicles	2.015	1.854	1.000	1.000	1.000	0.000	6.869
CT0018	Daisy Dip Play Area	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CT0027	Disabled Facilities Grants - Approved Adaptations	1.778	3.388	1.900	0.000	0.000	0.000	7.066
CT0030	Estate Parking Improvements	0.188	0.000	0.000	0.000	0.000	0.000	0.188
CT0031	Southampton Common	0.050	0.000	0.000	0.000	0.000	0.000	0.050
CT0039	Westwood Greenway	0.028	0.000	0.000	0.000	0.000	0.000	0.028
CT0044	Blechynden Terrace Park	0.012	0.000	0.000	0.000	0.000	0.000	0.012
CT0055	Solar Powered Compactor Bins	0.358	0.426	0.000	0.000	0.000	0.000	0.784
CT0061	Weston Shore Coastal Erosion	1.075	0.000	0.000	0.000	0.000	0.000	1.075
CT0064	Welfare Improvements at Mayfield Depot	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CT0068	Warm Homes	0.070	0.000	0.000	0.000	0.000	0.000	0.070
CT0071	Tranman - Fleet System Upgrade	0.019	0.000	0.000	0.000	0.000	0.000	0.019
CT0072	S106 - Affordable Homes	1.122	0.000	0.000	0.000	0.000	0.000	1.122
CT0075	City Services - Depots	0.221	0.410	0.000	0.000	0.000	0.000	0.631
CT0083	Open Spaces	0.231	0.274	0.000	0.000	0.000	0.000	0.505
CT0084	High Priority Play Parks	0.118	0.836	0.350	0.000	0.000	0.000	1.304
CT0085	Traveller Defences	0.079	0.000	0.000	0.000	0.000	0.000	0.079
CT0090	Green City Action Plan	0.129	0.000	0.000	0.000	0.000	0.000	0.129
CT0092	Mayflower Park Revetments	0.456	0.000	0.000	0.000	0.000	0.000	0.456
CT0093	Weston Shore	0.000	0.180	0.000	0.000	0.000	0.000	0.180
CT0094	Green Flag Improvements	0.200	0.241	0.000	0.000	0.000	0.000	0.441
CT0096	East Park Pavillion	0.140	0.000	0.000	0.000	0.000	0.000	0.140
CT0099	Members Minor Works - Parks and Open Spaces	0.240	0.000	0.000	0.000	0.000	0.000	0.240
CT0100	SANGS Improvements Works	0.340	0.400	0.000	0.000	0.000	0.000	0.740
		10.507	8.509	7.250	5.200	1.500	1.000	33.966
Sources of Finance								
	Council Resources	4.178	2.264	1.000	1.000	1.000	0.000	9.442
	Contributions	4.268	2.857	4.350	4.200	0.500	1.000	17.175
	Grants	1.991	3.388	1.900	0.000	0.000	0.000	7.279
	Direct Revenue Finance	0.070	0.000	0.000	0.000	0.000	0.000	0.070
Total Programme		10.507	8.509	7.250	5.200	1.500	1.000	33.966

Leader								
Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0140	Art in Public Places – Millbrook and Weston	0.013	0.000	0.000	0.000	0.000	0.000	0.013
CG0202	S106 - Art in Public Spaces	0.036	0.000	0.000	0.000	0.000	0.000	0.036
CG0208	Heritage Assets- Strategy	0.161	0.000	0.000	0.000	0.000	0.000	0.161
CG0216	Art Gallery Roof	0.900	1.381	0.000	0.000	0.000	0.000	2.281
CG0235	SeaCity Museum	0.002	0.000	0.000	0.000	0.000	0.000	0.002
CG0242	Restoring and Promoting Heritage Assets	0.536	3.075	2.349	0.750	0.000	0.000	6.710
CG0267	Bargate Walls Restoration Works	0.520	0.000	0.000	0.000	0.000	0.000	0.520
		2.168	4.456	2.349	0.750	0.000	0.000	9.723
Sources of Finance								
	Council Resources	0.572	4.456	2.349	0.750	0.000	0.000	8.127
	Contributions	1.596	0.000	0.000	0.000	0.000	0.000	1.596
Total Programme		2.168	4.456	2.349	0.750	0.000	0.000	9.723

Safer City								
Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0018	CCTV Cameras	0.161	0.000	0.000	0.000	0.000	0.000	0.161
CG0269	Safer Neighbourhoods	0.500	0.000	0.000	0.000	0.000	0.000	0.500
		0.661	0.000	0.000	0.000	0.000	0.000	0.661
Sources of Finance								
	Council Resources	0.111	0.000	0.000	0.000	0.000	0.000	0.111
	Contributions	0.550	0.000	0.000	0.000	0.000	0.000	0.550
Total Programme		0.661	0.000	0.000	0.000	0.000	0.000	0.661

Scheme No.	Project Description	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Total £M
CG0004	QE2 Mile - Bargate Square	0.000	1.260	0.000	0.000	0.000	0.000	1.260
CG0006	Cycling	0.930	0.986	0.150	0.000	0.000	0.000	2.066
CG0008	Public Transport	0.382	0.925	0.090	0.000	0.000	0.000	1.397
CG0009	Improved Safety	0.298	0.422	0.150	0.000	0.000	0.000	0.870
CG0010	Travel to School	0.171	0.134	0.205	0.000	0.000	0.000	0.510
CG0013	Accessibility	0.065	0.250	0.137	0.000	0.000	0.000	0.452
CG0016	Local Transport Improvement Fund (MMW)	0.360	0.000	0.000	0.000	0.000	0.000	0.360
CG0017	ITS	0.360	0.344	0.300	0.000	0.000	0.000	1.004
CG0024	Electric Vehicle Action Plan	0.181	0.000	0.000	0.000	0.000	0.000	0.181
CG0026	Carriageways	12.695	10.450	5.950	0.000	0.000	0.000	29.095
CG0027	Essential Highways Minor Works	0.084	0.090	0.090	0.000	0.000	0.000	0.264
CG0029	Cycleways Improvements Programme	0.070	0.000	0.000	0.000	0.000	0.000	0.070
CG0034	NCR: Ave East Lodge Rd – Dorset St	0.009	0.000	0.000	0.000	0.000	0.000	0.009
CG0038	Bus Corridor Minor Works	0.021	0.066	0.050	0.000	0.000	0.000	0.137
CG0040	Northam Rail Bridge	0.250	3.170	5.340	9.190	48.606	0.000	66.556
CG0042	Other Bridge Works	0.626	1.160	0.300	0.000	0.000	0.000	2.086
CG0050	Footways - Various Treatments	2.038	1.410	1.410	0.000	0.000	0.000	4.858
CG0052	Highways Drainage Investigations	0.287	0.250	0.250	0.000	0.000	0.000	0.787
CG0053	St Lighting	0.013	0.017	0.000	0.000	0.000	0.000	0.030
CG0054	Road Restraint Systems	0.100	0.500	0.300	0.000	0.000	0.000	0.900
CG0060	Highways Improvements (Developer)	0.037	0.071	0.040	0.000	0.000	0.000	0.148
CG0197	S106 - Highways	0.000	0.292	0.000	0.000	0.000	0.000	0.292
CG0198	S106 - Integrated Transport	0.000	0.005	0.000	0.000	0.000	0.000	0.005
	FTZ Theme 1 - Personal Mobility - Future Transport Zone	0.001	0.000	0.000	0.000	0.000	0.000	0.001
	FTZ Theme 1 - Personal Mobility - MaaS Trials	1.227	0.887	0.518	0.000	0.000	0.000	2.632
	FTZ Theme 1 - Personal Mobility - MaaS Integrations	0.121	0.300	0.300	0.079	0.000	0.000	0.800
	FTZ Theme 1 - Personal Mobility - Solent Go	0.000	0.167	0.042	0.000	0.000	0.000	0.209
CG0209	FTZ Theme 1 - Personal Mobility - Mobility Credits	0.030	0.084	0.342	0.113	0.000	0.000	0.569
	FTZ Theme 1 - Personal Mobility - Bike Share	1.599	1.023	0.030	0.000	0.000	0.000	2.652
	FTZ Theme 1 - Personal Mobility - Lift Share	0.030	0.180	0.086	0.000	0.000	0.000	0.296
	FTZ Theme 1 - Personal Mobility - DDRT	0.028	0.327	0.320	0.000	0.000	0.000	0.675
	FTZ Theme 1 - Personal Mobility - Scooter Trials	0.344	0.351	0.052	0.000	0.000	0.000	0.747
CG0215	Transforming Cities Fund	27.889	19.892	0.010	0.000	0.000	0.000	47.791
	FTZ Theme 2 - Sustainable Urban Logistics - Micro consolidation	0.298	1.238	0.412	0.000	0.000	0.000	1.948
CG0217	FTZ Theme 2 - Sustainable Urban Logistics - Macro consolidation	0.068	0.434	0.310	0.000	0.000	0.000	0.812
	FTZ Theme 2 - Sustainable Urban Logistics - Drones medical logistics	1.135	4.222	1.385	0.000	0.000	0.000	6.742
	FTZ Programme - Other - Programme & Project M&E	0.197	0.222	0.175	0.050	0.000	0.000	0.644
CG0218	FTZ Programme - Other - FTZ Project Support	0.129	0.341	0.164	0.038	0.000	0.000	0.672
	FTZ Programme - Other - FTZ Programme Delivery Team	0.800	1.000	1.200	0.300	0.000	0.000	3.300
	FTZ Programme - Other - FTZ Programme Contingency	0.020	0.040	0.060	0.051	0.000	0.000	0.171
CG0241	Safer Streets	0.200	0.572	0.200	0.000	0.000	0.000	0.972
CG0247	District Centre Improvements	0.125	0.825	1.300	0.750	0.000	0.000	3.000
CG0250	Bedford Place	0.600	0.600	0.000	0.000	0.000	0.000	1.200
CG0252	Itchen Bridge	0.000	0.300	4.200	0.000	0.000	0.000	4.500
CT0065	Clean Air Zone	0.070	0.000	0.000	0.000	0.000	0.000	0.070
CT0067	Townhill Park Infrastructure - Parks	0.063	0.000	0.000	0.000	0.000	0.000	0.063
		53.951	54.807	25.868	10.571	48.606	0.000	193.803
Sources of Finance								
	Council Resources	9.530	11.486	9.667	1.018	6.086	0.000	37.787
	Contributions	10.280	5.410	2.583	2.750	0.750	0.000	21.773
	Grant	34.141	35.911	12.618	6.803	41.770	0.000	131.243
	Direct Revenue Finance	0.000	2.000	1.000	0.000	0.000	0.000	3.000
	Total Programme	53.951	54.807	25.868	10.571	48.606	0.000	193.803
TOTAL GENERAL FUND CAPITAL PROGRAMME		98.147	92.843	60.397	38.096	76.931	1.000	367.414

THE HRA REVENUE BUDGET 2023/24 AND CAPITAL PROGRAMME 2022/23 TO 2027/28	
<u>HOUSING REVENUE ACCOUNT (HRA) BUDGET 2023/24</u>	
<u>Context</u>	
1.	<p>The Housing Revenue Account (HRA) is set in the context of a 40 year business plan and is subject to a comprehensive review as part of the budget process each year, and subsequently monitored over the course of the financial year. As the landlord account, the HRA records all the income and expenditure associated with the provision and management of council owned homes in the City. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. This includes housing and estate management, repairs, improvements, and statutory compliance activity; welfare advice, employment and skills support, support to address anti-social behaviour and support for the victims of domestic abuse; supported housing services for older people and those with extra care needs, neighbourhood wardens, and capital spending on council properties.</p> <p>Decisions on use of resources within the HRA are also taken in the context of the agreed ambitions set out in the Corporate Plan agreed by Council and the City's Housing Strategy.</p>
2.	<p>The level of resources available to invest in the Housing stock is dependent on overall income to the HRA. The key source of income is the rent received from tenants, which is utilised to pay for every-day services specific to those tenants and to support borrowing costs associated with investment in the housing stock. The current approach to rent setting is set nationally and is in the context of rent reductions of 1% per annum between 2016/17 and 2019/20, and a rental freeze agreed by the Council for 2022/23, both of which have significantly reduced HRA resources over the course of the Business Plan.</p>
3.	<p>As part of the annual review of the HRA, both internal and external influences on the HRA are reviewed to assess the impact of those factors on Housing services and determines the financial strategy for the HRA and the framework for the 40 year financial model.</p>
<u>2022/23 Forecast Outturn</u>	
4.	<p>The HRA year-end forecast position as at the end of December 2022 for 2022/23 shows an overall balanced position. However, this is in the context of significant inflationary pressures on the HRA, driven by increasing energy costs, building material inflation, and pressure on salaries, and in year savings have been necessary to maintain a balanced position. The monitoring reports to Cabinet in November and February provide more detail on in year pressures, and the savings made in order to maintain an overall balance on the £76M budget on 'business as usual' activity.</p>
<u>HRA Medium Term Financial Position</u>	
5.	<p>This report sets out the HRA revenue budget for 2023/24 and the 40 year HRA business plan, covering the period 2023/24 to 2062/63.</p>
6.	<p>The HRA Business Plan supports a number of council strategies, including the Medium-Term Financial Strategy, to ensure plans are affordable and budgets are aligned to the assumptions detailed in those strategies. The specific HRA Business Plan priorities are summarised below:</p> <ul style="list-style-type: none"> • All HRA debt is sustainable on a yearly basis since restrictions to HRA borrowing were lifted in 2018.

	<ul style="list-style-type: none"> • The capital spending plans include affordable provision to maintain and improve all existing dwellings and is based on a Housing stock capital strategy that continues to be developed and enhanced. • A Capital provision of £60M is set aside for committed stock replacement at plots 2, 9 and 10 Townhill Park between 2023/24 and 2025/6 based on the existing financial assumptions. These will continue to be revised as the scheme progresses to planning approval. • An assumption that future development will include working with Registered Providers and utilising land disposals and future Right to Buy receipts to support stock replacement, replacing the existing acquisitions assumption. The first phase of this programme was signed off by Cabinet in December 2022. • The revenue budget seeks to grow the minimum balance from £2.0M per year over the life of the Plan, recognising the risk to the HRA of continuing high inflation, and increases over time to build provision for pressures not yet quantified.
7.	<p>The HRA Business Plan shows revenue balances that increase above minimum levels within the 40 year period. This has been mitigated to an extent by repayment of loans outstanding across the life of the Business Plan. The surpluses are subject to change annually and will reflect the annual review of stock investment needs, estimated unit income and expenditure, as well as the prevailing external economic factors of the time.</p>
	<p><u>External Factors</u></p>
	<p><u>Inflation:</u></p>
8.	<p>The base rate of inflation used to drive expenditure assumptions in the HRA financial forecasts is generally the Consumer Price Index (CPI), and other measures such as the RICS (Royal Institution of Chartered Surveyors) Building Cost Information Service (BCIS) for building materials prices are also considered. The last 12 months has been particularly volatile, with CPI inflation rates increasing from 5.5 % in January 2022, to 11.1% in October 2022. Inflation rates have largely been driven by global events during 2022/23, which have impacted particularly on fuel and energy costs. The Bank of England's Monetary Policy Report of November 2022 (Monetary Policy Report - November 2022 Bank of England) forecasts CPI to remain over 10% in Quarter 4 of 2022, and Quarter 1 of 2023 before falling back to 5.2% by Quarter 4 of 2023, and to 1.4% by Quarter 4 of 2024. The over-arching assumption in the business plan is that inflation will return to the target of 2% and will then fluctuate around the target level in the medium term. The Office of Budgetary Responsibility (OBR), in their Economic and Fiscal Outlook in November 2022 (Economic and Fiscal Outlook - November 2022 (obr.uk)) forecast CPI on a calendar year basis, of 9.1% and 2023 of 7.4%, before falling below zero in 2024 before returning to the target of 2% in 2026. The HRA Medium Term Financial Strategy for 2022/23 allowed for inflation at 2%, compared with the 9.1% calendar average now being predicted by the OBR. As a significant proportion of non-employee related expenditure in the HRA is driven by materials price inflation, and energy prices, it is considered prudent to build an unavoidable revenue pressure into the business plan for 2023/24 to increase the assumption for inflation to allow for the significant increase experienced in 2022/23 and the continuing increases forecast for 2023/24 and 2024/25, before returning to the target level of 2% in the HRA business planning assumptions from 2025 onwards. This will be reviewed again as part of the continual monitoring of HRA spend throughout 2023/24, and as part of the next Business Plan review in September 2023.</p> <p>The pay award for 2022/23 was agreed in November 2022, at a fixed rate of £1,925 against an assumption of 1.5% incorporated into the 2022/23 budget. This increase, along with a higher pay assumption for 2023/24, has been factored into the business plan for 2023/24.</p>

	<u>Interest Rates:</u>
9.	<p>The Housing Revenue Account is entitled to claim a proportion of interest earned on cash balances invested by the authority. The rate of interest anticipated for 2022/23, based on gilt yield averages, is 3.04%. In the HRA Budget Setting Report for treasury returns was 0.18%, based upon yield averages during 2021/22. The Bank of England base rate has increased from 0.75% in March 2022 to 3% as at November 2022, and subsequently raised to 3.5% on 15 December 2022.</p> <p>The actual average rate of interest earned on investments that benefited the HRA for 2021/22 was 0.18%. Since then the average rate earned on investments has increased to around 3.04%. The business plan assumption for 2022/23 has assumed minimal interest receivable based on historically low interest rates over the preceding years.</p> <p>Current base rate forecasts advised to the Council by Treasury advisors in November 2022 set an expectation that base rate will continue to increase in early 2023, at circa 4.75%, and remain at this level until 2025 before falling back to circa 4%. The interest rate assumptions are reflected in the Council's wider Investment Strategy (see Annex 2.2). In respect of existing HRA borrowing, the self-financing loan portfolio with the Public Works Loans Board of £170,287,000 remains, with rates of between 1.12% and 4.94%.</p>
	<u>Rent & Service Charge Increases</u>
10.	<p>Under current Government guidance the Council can increase rent by a maximum of CPI plus 1 per cent based on the September CPI position. However, in recognition of significantly higher inflation levels, a maximum rent cap has been set by Government for 2023/24 at 7%, returning to CPI+1% from 2024/25.</p> <p>The Council is also required to set charges for communal heating in certain properties. Following significant wholesale energy price increases in 2022/23, it is necessary to increase heating charges in order to bring cost under control in 2023/24. The proposal for rent and service charge increases is as follows:</p> <ul style="list-style-type: none"> • 7% increase in Rent • 9% increase in Service Charges • 10% increase in Supported Accommodation Service Charges <p>District heating charge increase of up to 101%</p>
	<u>Rents</u>
11.	<p>It is proposed that rents are increased by the proposed cap in 2023/24, in line with Central Government guidelines for HRA rents issued in the 2022 Autumn Statement, and allowing rent increase in 2024/25 based on the Consumer Price Index (CPI) as at September 2023 plus 1 per cent for tenants who are at or below formula rent (the Government approved method of calculating social rent), or CPI for those tenants who are above formula rent. The latest guidance covers the years 2023/24 to 2024/25. The business plan assumes increases in line with target CPI thereafter.</p>
12.	<p>The proposal to increase rent by no more than the Government cap also extends to shared ownership properties. Supported Housing properties were exempted from the 7% cap announced however the proposal is to increase Supported Housing rents in line with the 7% cap.</p>
	<u>Rent Arrears</u>
13.	<p>Rent arrears have continued to rise in the current financial year, 2022/23, linked to the impact of Welfare Reform, the lasting impact of suspension of recovery action during COVID times and exacerbated by the impact of increasing cost of living during 2022/23 and 2023/24.</p>

14.	As part of the debt recovery action plan, measures have been taken in order to reduce the arrears position, including additional Direct Debit days, increased use of Alternative Payment Arrangements (APAs) and increased the level of engagement with tenants. However, as at December 2022, current tenant arrears, and former tenant arrears are at an 8.9% increase year on year.																												
15.	The Business Plan for 2023/24 recognises the risk of increasing arrears and has increased the level of resources allocated to the Customer Payment & Debt Team for debt recovery to ensure arrears are under control, and to provide additional support to tenants. Housing officers will also continue to work with tenants, in particular any seen as at risk of having escalating debts, and ensuring they have access to support when managing their bills.																												
	Service Charges																												
16.	The current charging mechanism for service charges in the HRA does not currently recover all costs that are applicable for a service charge. This means that tenant rent is currently covering some of the costs associated with these areas. Work is ongoing to review the extent of the 'gap' between costs and income and recommendations around this will be made following that review. However, for 2023/24, the proposal is to increase service charges by 9% in recognition of the increase in cost of providing services experienced during 2022/23.																												
17.	The weekly charges to be levied for next year are shown in Tables 1 and 2 below.																												
18.	<p><u>Table 1 – General Service Charges</u></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23</th> <th>2023/24</th> </tr> </thead> <tbody> <tr> <td>Concierge monitoring</td> <td>£2.77</td> <td>£3.02</td> </tr> <tr> <td>Walk-Up Block Wardens</td> <td>£1.47</td> <td>£1.60</td> </tr> <tr> <td>Cleaning service in walk-up blocks</td> <td>£0.73</td> <td>£0.80</td> </tr> <tr> <td>Digital TV charge</td> <td>£0.12</td> <td>£0.13</td> </tr> <tr> <td>Door Entry System</td> <td>£0.22</td> <td>£0.24</td> </tr> <tr> <td>Emergency Lighting Testing</td> <td>£0.27</td> <td>£0.29</td> </tr> <tr> <td>Garden/Ground Maintenance</td> <td>£0.22</td> <td>£0.24</td> </tr> <tr> <td>Tower Block Wardens</td> <td>£5.20</td> <td>£5.67</td> </tr> </tbody> </table>			2022/23	2023/24	Concierge monitoring	£2.77	£3.02	Walk-Up Block Wardens	£1.47	£1.60	Cleaning service in walk-up blocks	£0.73	£0.80	Digital TV charge	£0.12	£0.13	Door Entry System	£0.22	£0.24	Emergency Lighting Testing	£0.27	£0.29	Garden/Ground Maintenance	£0.22	£0.24	Tower Block Wardens	£5.20	£5.67
	2022/23	2023/24																											
Concierge monitoring	£2.77	£3.02																											
Walk-Up Block Wardens	£1.47	£1.60																											
Cleaning service in walk-up blocks	£0.73	£0.80																											
Digital TV charge	£0.12	£0.13																											
Door Entry System	£0.22	£0.24																											
Emergency Lighting Testing	£0.27	£0.29																											
Garden/Ground Maintenance	£0.22	£0.24																											
Tower Block Wardens	£5.20	£5.67																											
19.	<p><u>Table 2 – Supported Accommodation</u></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23</th> <th>2023/24</th> </tr> </thead> <tbody> <tr> <td>Cleaning</td> <td>£0.65</td> <td>£0.70</td> </tr> <tr> <td>Community Alarm</td> <td>£1.31</td> <td>£1.42</td> </tr> <tr> <td>Support</td> <td>£2.76</td> <td>£3.01</td> </tr> <tr> <td>Management</td> <td>£5.13</td> <td>£5.59</td> </tr> </tbody> </table>			2022/23	2023/24	Cleaning	£0.65	£0.70	Community Alarm	£1.31	£1.42	Support	£2.76	£3.01	Management	£5.13	£5.59												
	2022/23	2023/24																											
Cleaning	£0.65	£0.70																											
Community Alarm	£1.31	£1.42																											
Support	£2.76	£3.01																											
Management	£5.13	£5.59																											
	Careline Charges																												
20.	The Careline service is provided to both tenants within and outside of the HRA. The charges have not increased significantly for a number of years, and it is proposed that these charges are increased by 10% to reflect the increasing costs of providing the service and also reflecting the increased investment required in the service to support digitisation by 2025. The revised charges are as follows:																												

Table 3 – Careline Charges

	2022/23 Charge	2023/24 Charge
Monitoring (weekly)	£3.50	£3.85
Responding (weekly)	£5.00	£5.50
Installation (one-off)	£25.00	£27.50
Key safe (one-off)	£40.00	£44.00

Heating Charges

21. The annual review of the Landlord-Controlled Heating (LCH) account projects a deficit of £3.7M, following increases in gas and electricity prices of 150% and 88% respectively during 2022/23. The latest assumption on future prices (provided by our energy procurement partners), suggest prices will remain high during 2023/24. The primary driver for price increases has been the recent increases in wholesale prices as a result of the national economic issues faced, and these will be monitored carefully. The proposed increases will not fully recover deficits incurred in 2022/23 and further work will need to be undertaken on this issue in 2023/24. It is proposed that the charges to tenants for 2023/24 will increase as shown in table 4 below.

Table 4 – Heating Charges

Band	2022/23 Charge	2023/2024 Proposed Charge
A	£550.16	£1,106.96
B	£686.40	£1,329.06
C	£824.72	£1,551.16
D	£960.44	£1,773.26
E	£1,098.76	£1,995.36
F	£1,236.56	£2,232.76
G	£1,372.80	£2,473.56
H	£1,510.08	£2,717.76
J	£206.44	£384.46

This table (Annex 5.2) shows the proposed weekly and annual changes by band. The bands are set on the basis of floor space in square metres, ensuring smaller properties pay proportionately less than larger properties, and a specific band (J) for hostels. The proposed percentage increase is applied equally to each band.

This increase (and future annual increases in line with energy inflation) are designed to strike a balance between cost recovery and a fair increase in price for tenants. As mentioned above, Housing staff will continue to work with tenants, in particular any seen as at risk of having escalating debts, and ensuring they have access to support when managing their bills and there has been increased resources within the Customer Payment

	& Debt Team with a view to help support any tenant contacting them over their bills and payment plans.
	<u>Other income</u>
22.	The HRA also receives income from parking spaces, garages and commercial properties. The current budgeted yield from other properties for 2023/24 is £1.24M.
	<u>Savings proposals</u>
23.	A number of savings have been identified in order to mitigate against rising cost in the context of a rental cap, in addition to the rent and service charge increases.
24.	The cyclical maintenance budgets have been protected from any savings proposals, taking account of increased statutory landlord responsibilities for fire safety, water safety, electrical and mechanical safety and historic underinvestment in stock. However, the charge-out rate to the Housing Operatives Team has been reviewed and increased to ensure costs are charged to jobs properly, in the context of rising labour and materials prices.
25.	Technical calculations have been reviewed to ensure they are reasonable in the context of the current business plan. In particular, the depreciation calculation methodology has been reviewed as part of 2022/23 year-end accounts process and has resulted in a £1.9M per annum reduction against the original business plan assumptions.
26.	All expenditure within the HRA is currently subject to ongoing review under essential spend criteria. This approach will continue into 2023/24. In addition to essential spend, staffing structures within the Housing Management team are being reviewed and are expected to generate a saving of £0.23M per annum from 2023/24.
27.	With the forecast increase in borrowing costs, the approach to the capital programme between 2023/24 and 2026/27 has been reprioritise within the agreed financial boundaries agreed in February 2022, with an increase in assumed spend from 2027/28 and an increased spend assumption in the business plan model in the 5 year period from 2027 to 2031. Further information on the capital programme at paragraph 34.
28.	In addition to the above, debt profiling across the 40 year period has been reviewed and updated to ensure the appropriate balance between minimising interest cost and ensuring a working balance is suitably maintained.
	<u>HRA Balances</u>
29.	The HRA Business Plan revenue balances enable a longer-term repayment of debt to take place. Despite recent cost pressures, and the removal of the debt cap leading to ongoing regeneration/new build borrowing, debt repayments take place during the life of the Business Plan. The proposed model currently assumes repayment of all debt within the 40 year plan. The level of debt forecast in 40 years is prudent.
30.	A significant risk to the long-term plan is the risk of overall capital investment requirement significantly increasing over a prolonged period. The impact of this could have a significant adverse impact on HRA balances as property costs would begin to exceed rental income. This risk became more significant in the light of the rent freeze in 2022/23, proposed rent caps in 2023/24 combined with materials costs inflating well above the headline CPI rate, and as the stock ages over the next 40 years. Therefore, the forecast financial position is subject to annual review based on the prevailing economic factors and will also reflect the annual review of stock investment needs and estimated unit rates.
31.	The other significant risk is changes in Central Government rental policy in the future. The current guidance extends as far as 2024/25, and the policy assumed thereafter is rent increases at 2.5% per annum.
32.	It is necessary to regularly undertake sensitivity analysis to assess the impact of external influences such as building inflation and changes to CPI on the business plan so that the

	overall budget position can be maintained to support investment in services and properties to meet the expectations of tenants and our regulatory requirements.																					
33.	The HRA minimum balance since 2017 has been maintained at £2.0M per year. However, in recognition of the level of risk associated with the rent cap and continuing high inflation, it is proposed that the minimum balance is increased from 2023/24. The current closing working balance in 2023/24 is set to remain at £2M and it is recommended a more fundamental review of the working balance is undertaken in 2023/24 as noted in paragraph 44 of the S151 Officer's statement on robustness of estimates and adequacy of reserves, such that the balance is more commensurate with the financial risks.																					
	HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2022/23 TO 2027/28																					
34.	The purpose of this section of the report is to update the HRA Capital Programme for the period of 2022/23 to 2027/28, highlighting the changes in the programme since the last reported position to Cabinet in November 2022. The Capital Programme has been subject to a review of each line, taking into account legal and statutory requirements in relation to all of our compliance activity and the principles of the Housing Asset Management Strategy. Consideration has also been given to ensuring budget lines are realistic, affordable and achievable and take into account expected slippages from the 2022/23 financial year where appropriate.																					
	THE FORWARD CAPITAL PROGRAMME																					
35.	The proposed capital programme shows projected capital expenditure of £292M between the financial years 2022/23, and 2027/28. A summary of the latest capital expenditure headlines for the period 2022/23 to 2027/28 is provided at paragraph 42. A full breakdown of the capital programme is provided in Appendix 7 (confidential). The table below compares the overall position in comparison with the agreed budget for 2022/23: Table 5 – Programme Summary																					
	<table border="1"> <thead> <tr> <th>Reported Programme</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Agreed February 2022</td> <td>52.66</td> <td>86.70</td> <td>58.73</td> <td>32.87</td> <td>32.44</td> <td>263.4</td> </tr> <tr> <td>Proposed February 2023</td> <td>38.25</td> <td>53.33</td> <td>75.03</td> <td>68.70</td> <td>26.49</td> <td>261.8</td> </tr> </tbody> </table>	Reported Programme	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Total £M	Agreed February 2022	52.66	86.70	58.73	32.87	32.44	263.4	Proposed February 2023	38.25	53.33	75.03	68.70	26.49	261.8
Reported Programme	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Total £M																
Agreed February 2022	52.66	86.70	58.73	32.87	32.44	263.4																
Proposed February 2023	38.25	53.33	75.03	68.70	26.49	261.8																
36.	Currently 58.8% of properties achieve decent homes standard. This has reduced by 7% over the last 12 months and the main reason is the effect of the pandemic on the delivery of the planned works programme. A recovery programme was implemented, commencing in April 2022, and will improve delivery with this being a council priority with an extensive programme supporting it, much of the Improving Quality of Homes at £10.8M in 2023/24 capital programme is linked to this end. However, there is still a likelihood of some disruption, though not on the scale previously experienced, due to the effects of post-pandemic recovery in supply chains and the labour market.																					
37.	The Council agreed a Housing Asset Management Strategy in March 2022. The strategy has been created to ensure that robust, long term strategic capital investment plans are produced whilst ensuring that the requirements of the housing stock are affordable within the context of the HRA Business Plan. The production of a 5 year capital plan is set in the context of the strategy's objective to undertake as much work as possible in a pre-planned way to reduce future reactive repair costs. The Asset Management Team has engaged Ridge & Partners to undertake a 10% validation survey of the housing portfolio. The survey is scheduled to start January 2023.																					
38.	Work has started on improving the energy efficiency of the housing stock, working towards the Government's target of all social housing achieving an Energy Performance Certificate (EPC) rating of C by 2030 for fuel poor homes, and 2035 for the remainder (where reasonably practicable to do so). Currently, 5,067 properties are rated as C or above.																					

	<p>The Asset Management Team has completed just over 1,000 EPC surveys to improve the accuracy of the energy performance data held. The EPC surveys have shown that the energy performance of the property estate is better than previously reported. Currently, 12,854 properties have an EPC certificate held on the Government's central register, with a further 6,196 not currently assessed.</p> <p>The Authority continues to seek external funding to support energy efficiency works. SCC has been successful in gaining grant funding via the Green Homes Grant Local Authority Delivery Scheme (Phase 2 Energy Project), replacing existing Night Storage Heaters with significantly more efficient High Retention Storage Heaters. Currently, the grant has funded the upgrade of 72 properties and achieved grant funding support of £0.30M. External funding is also being sought to support energy efficiency upgrades for Tower Blocks.</p>																																																																
39.	<p>The Council is currently reviewing its processes around Damp & Mould, including the scope of any future investment needs as part of a more proactive approach to reducing damp. The output of this review will need to be factored into future capital programming.</p>																																																																
	New Build																																																																
40.	<p>Southampton has delivered 257 new build properties since 2019, at three sites within the city. The business plan currently includes capital provision for the delivery of a further 274 properties at plots 2, 9 and 10 Townhill Park.</p>																																																																
41.	<p>Approval was given at Cabinet on 14 March 2022 to establish a framework of Affordable Housing Providers to deliver affordable housing throughout the city utilising council owned land. It is estimated that the framework will be in place in early 2023 with a number of providers appointed. Several plots of council owned land have been identified as being suitable for the development of affordable housing using the framework partners. Approval was given for the first tranche of sites to be transferred using the framework by Cabinet on 20th December 2022 and the HRA business plan takes account of this decision.</p>																																																																
42.	<p>The programme summary is shown in the table below. This table demonstrates the forecast spend for 2022/23. Spend between 2023/24 and 2026/27 has been maintained within the overall totals agreed in February 2022, with capital spend assumed to subsequently increase from 2027/28.</p> <p><u>Table 6 – Headline Capital Programme Summary</u></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23 Forecast £'M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Improving Quality of Homes</td> <td>9.509</td> <td>10.845</td> <td>7.480</td> <td>7.580</td> <td>7.480</td> <td>9.310</td> <td>52.204</td> </tr> <tr> <td>Making Homes Energy Efficient</td> <td>3.955</td> <td>11.161</td> <td>16.688</td> <td>13.850</td> <td>6.372</td> <td>9.600</td> <td>61.626</td> </tr> <tr> <td>Making Homes Safe</td> <td>14.985</td> <td>17.262</td> <td>14.432</td> <td>11.305</td> <td>7.670</td> <td>6.780</td> <td>72.434</td> </tr> <tr> <td>Regeneration</td> <td>2.493</td> <td>6.648</td> <td>30.728</td> <td>31.033</td> <td>0.872</td> <td>-</td> <td>71.774</td> </tr> <tr> <td>Supporting Communities</td> <td>4.632</td> <td>3.412</td> <td>1.400</td> <td>1.400</td> <td>1.400</td> <td>1.679</td> <td>13.923</td> </tr> <tr> <td>Supporting Independent Living</td> <td>2.680</td> <td>4.005</td> <td>4.305</td> <td>3.540</td> <td>2.700</td> <td>3.050</td> <td>20.280</td> </tr> <tr> <td></td> <td>38.254</td> <td>53.333</td> <td>75.033</td> <td>68.708</td> <td>26.494</td> <td>30.419</td> <td>292.241</td> </tr> </tbody> </table>		2022/23 Forecast £'M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M	Improving Quality of Homes	9.509	10.845	7.480	7.580	7.480	9.310	52.204	Making Homes Energy Efficient	3.955	11.161	16.688	13.850	6.372	9.600	61.626	Making Homes Safe	14.985	17.262	14.432	11.305	7.670	6.780	72.434	Regeneration	2.493	6.648	30.728	31.033	0.872	-	71.774	Supporting Communities	4.632	3.412	1.400	1.400	1.400	1.679	13.923	Supporting Independent Living	2.680	4.005	4.305	3.540	2.700	3.050	20.280		38.254	53.333	75.033	68.708	26.494	30.419	292.241
	2022/23 Forecast £'M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M																																																										
Improving Quality of Homes	9.509	10.845	7.480	7.580	7.480	9.310	52.204																																																										
Making Homes Energy Efficient	3.955	11.161	16.688	13.850	6.372	9.600	61.626																																																										
Making Homes Safe	14.985	17.262	14.432	11.305	7.670	6.780	72.434																																																										
Regeneration	2.493	6.648	30.728	31.033	0.872	-	71.774																																																										
Supporting Communities	4.632	3.412	1.400	1.400	1.400	1.679	13.923																																																										
Supporting Independent Living	2.680	4.005	4.305	3.540	2.700	3.050	20.280																																																										
	38.254	53.333	75.033	68.708	26.494	30.419	292.241																																																										
43.	<p>The current investment requirement for the Housing Stock, including allowance for new build, in the 4 years between 2023/24 and 2026/27 alone is estimated at £290M. This represents an increase of £70M to the capital programme in the same period.</p> <p>This level of increase is not currently affordable in the current context of increasing inflation, borrowing costs and rent caps, and therefore a thorough review of each line in the capital programme has been undertaken to ensure that works are prioritised as effectively as possible within the agreed financial envelope. Assumed capital spend from 2027/28 to 2031/32 has been increased accordingly.</p>																																																																
44.	<p>The following table demonstrates the means of financing the capital programme between 2022/23 and 2027/28:</p>																																																																

Table 7 – capital programme financing

	2022/23 Forecast £'M	2023/24 £'M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M
Major Repairs reserve	21.86	21.637	24.685	24.643	21.105	22.271	136.201
S141 & Other RTB receipts	1.037	1.33	12.291	1.241	1.838	1.889	19.626
Direct Revenue Financing	2.380	4.002	5.822	4.207	3.551	2.026	21.988
Capital Receipts & Grants	-	-	3.562	8.21	-	-	11.772
Borrowing	12.977	26.364	28.673	30.407	-	4.233	102.654
	38.254	53.333	75.033	68.708	26.494	30.419	292.241

MAJOR PROGRAMME CHANGES

45. **Improving the Quality of Homes (£52.2M)**
 This category focuses on the major replacement, asset refurbishment and modernisation of the assets through component investment within properties. This includes communal areas as well as within occupied homes. The impact of investment will be reflected in such KPIs (Key Performance Indicators) as the Council's ability to reduce void turnaround times and reduce the average cost of reactive repairs. A focus has been given to spend on existing projects as first priority, to ensure the best use of resources within the existing funding envelope.
46. **Making Homes Energy Efficient (£61.6M)**
 This category groups spend that improves the thermal efficiency of assets and introduces efficient heating appliances into homes. These measures help tackle social issues such as fuel poverty and targets the provision of a comfortable home, as well as contributing to zero carbon ambitions and meeting central Government target for all social housing to reach EPC 'C' by 2030. The review of the capital programme identified a total investment need of £84.8M between 2023/24 and 2026/27 including energy efficiency works on specific tower blocks, full insulation programme, replacement of gas and electric heating systems. Energy efficiency works for Millbank Towers and Redbridge Towers are currently assumed to take place after 2027/28, and other programmes of works have been profiled according to the capacity of the organisation to deliver works.
47. **Making Homes Safe (£72.4M)**
 This category focuses on expenditure relating to the safety of the assets themselves including fire safety, structural works, asbestos removal, and investment related to statutory building compliance. The impact of such investment would be reflected in the Council's ability to robustly deliver its related statutory obligations, demonstrated by performance reporting. The review of the capital programme identified a total investment need of £84.8M between 2023/24 and 2026/27, mainly relating to lower risk fire safety work. This has been profiled between 2023/24 and 2031/32, on the basis that the major high risk fire safety work is now complete, and further advice is being sought on the prioritisation of remaining fire safety work to the portfolio, in recognition of the need to prioritise energy efficiency & decarbonisation of the portfolio.
48. **Supporting Communities (13.9M)**
 This category relates to investment in the neighbourhoods of existing Council estates and encourages engagement with local communities to develop positive outcomes within the locality. Investment in Decent Neighbourhoods budget line has reduced to allow for prioritisation between 2023/24 and 2026/27 to reflect the focus on energy efficiency and building safety works referred to above.
49. **Supporting Independent Living (£20.3M)**

	This investment addresses the accessibility of homes to support people living independently through the delivery of adaptations or the investment facilities within the Supported housing element of the housing portfolio. The impact of such investment is demonstrated by KPIs reporting how long disabled tenants must wait for adaptations to their homes. The key change to the budgets is to increase the disabled adaptations budgets in light of current demand for the service.
50.	Estate Regeneration/New Build (£71.8M) Capital budget for Estate Regeneration provides for the direct delivery of new build Council houses. This has been reprofiled according to estimated timelines for new build between 2023/24 and 2024/25.
	Annexes
5.1	HRA 40 Year Business Plan Operating Account
5.2	HRA Heating Charges
5.3	HRA Major Repairs and Improvement Plan

Southampton City Council
HRA Business Plan
Operating Account
(expresses in money terms)

		Income				Expenditure									Transfer from / (to)		Surplus (Deficit) for the Year		Surplus (Deficit) b/fwd		Surplus (Deficit) c/fwd	
Year	Year	Net rent Income	Other income	Misc Income	Total Income	Managnt.	Depreciation	Responsive & Cyclical	Other Revenue spend	Misc expenses	Total expenses	Capital Charges	Net Operating (Expenditure)	Repayment of loans	Transfer to MRR	Revenue Reserve	RCCO	£'000	£'000	£'000	£'000	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
1	2023.24	76,038	3,733	0	79,771	(24,258)	(22,574)	(21,531)	(1,600)	0	(69,963)	(5,806)	4,002	0	0	0	(4,002)	0	2,000	0	2,000	
2	2024.25	81,400	5,114	0	86,514	(25,582)	(23,749)	(21,726)	(1,609)	0	(72,666)	(7,287)	6,561	(738)	0	0	(5,822)	(0)	2,000	0	2,000	
3	2025.26	83,651	5,298	0	88,950	(26,356)	(24,643)	(22,362)	(1,539)	0	(74,900)	(9,105)	4,945	(738)	0	0	(4,207)	0	2,000	0	2,000	
4	2026.27	85,587	5,457	0	91,044	(27,028)	(25,302)	(22,893)	(1,464)	0	(76,686)	(10,069)	4,289	(738)	0	0	(3,551)	(0)	2,000	0	2,000	
5	2027.28	87,567	5,621	0	93,187	(27,717)	(26,047)	(23,438)	(1,393)	0	(78,594)	(9,982)	4,611	(2,585)	0	0	(2,026)	0	2,000	0	2,000	
6	2028.29	89,484	5,789	0	95,273	(28,416)	(26,743)	(22,898)	(1,327)	0	(79,383)	(10,035)	5,855	(3,834)	0	0	(2,021)	0	2,000	0	2,000	
7	2029.30	91,443	5,963	0	97,406	(29,133)	(27,458)	(23,268)	(1,264)	0	(81,122)	(10,441)	5,842	(1,238)	0	0	(4,605)	0	2,000	0	2,000	
8	2030.31	93,444	6,142	0	99,586	(29,867)	(28,191)	(23,642)	(1,205)	0	(82,906)	(10,911)	5,769	(1,238)	0	0	(1,939)	2,592	2,000	0	4,592	
9	2031.32	95,487	6,326	0	101,814	(30,621)	(28,944)	(24,019)	(1,150)	0	(84,733)	(11,408)	5,672	(1,723)	0	0	(2,902)	1,047	4,592	0	5,639	
10	2032.33	97,575	6,516	0	104,091	(31,393)	(29,716)	(24,399)	(1,174)	0	(86,683)	(11,909)	5,500	(2,936)	0	0	(2,411)	152	5,639	0	5,791	
11	2033.34	99,708	6,711	0	106,419	(32,185)	(30,509)	(24,782)	(1,199)	0	(88,675)	(11,868)	5,876	0	0	0	(2,281)	3,595	5,791	0	9,386	
12	2034.35	101,861	6,913	0	108,774	(32,996)	(31,323)	(25,440)	(1,225)	0	(90,984)	(11,119)	6,670	(10,621)	0	0	(2,397)	(6,348)	9,386	0	3,039	
13	2035.36	104,034	7,120	0	111,154	(33,829)	(32,148)	(26,116)	(1,251)	0	(93,343)	(10,446)	7,365	(5,612)	0	0	(2,501)	(748)	3,039	0	2,291	
14	2036.37	106,251	7,334	0	113,585	(34,682)	(32,994)	(26,809)	(1,277)	0	(95,762)	(10,123)	7,700	(2,530)	0	0	(2,608)	2,562	2,291	0	4,853	
15	2037.38	108,515	7,554	0	116,069	(35,557)	(33,861)	(27,520)	(1,304)	0	(98,243)	(9,836)	7,990	(4,475)	0	0	(2,718)	797	4,853	0	5,650	
16	2038.39	110,826	7,780	0	118,606	(36,454)	(34,752)	(28,250)	(1,332)	0	(100,787)	(9,404)	8,415	(2,312)	0	0	(2,976)	3,127	5,650	0	8,777	
17	2039.40	113,185	8,014	0	121,199	(37,373)	(35,665)	(28,999)	(1,360)	0	(103,397)	(9,099)	8,702	0	0	0	(3,110)	5,592	8,777	0	14,369	
18	2040.41	115,592	8,254	0	123,847	(38,316)	(36,601)	(29,767)	(1,389)	0	(106,074)	(8,850)	8,923	0	0	0	(3,247)	5,675	14,369	0	20,045	
19	2041.42	118,050	8,502	0	126,552	(39,282)	(37,562)	(30,556)	(1,419)	0	(108,819)	(8,593)	9,139	0	0	0	(3,390)	5,750	20,045	0	25,794	
20	2042.43	120,558	8,757	0	129,315	(40,273)	(38,547)	(31,365)	(1,449)	0	(111,634)	(8,304)	9,377	0	0	0	(3,536)	5,841	25,794	0	31,635	
21	2043.44	123,118	9,020	0	132,138	(41,289)	(39,558)	(32,195)	(1,480)	0	(114,521)	(7,757)	9,860	(7,416)	0	0	(3,776)	(1,332)	31,635	0	30,303	
22	2044.45	125,731	9,290	0	135,021	(42,330)	(40,595)	(33,046)	(1,511)	0	(117,482)	(7,104)	10,434	(6,373)	0	0	(3,940)	121	30,303	0	30,424	
23	2045.46	128,398	9,569	0	137,967	(43,398)	(41,658)	(33,920)	(1,544)	0	(120,519)	(6,350)	11,097	(12,878)	0	0	(4,109)	(5,891)	30,424	0	24,533	
24	2046.47	131,120	9,856	0	140,976	(44,493)	(42,748)	(34,816)	(1,576)	0	(123,634)	(5,583)	11,759	(4,621)	0	0	(4,284)	2,854	24,533	0	27,388	
25	2047.48	133,898	10,152	0	144,049	(45,615)	(43,867)	(35,736)	(1,610)	0	(126,828)	(5,030)	12,192	(3,388)	0	0	(4,463)	4,341	27,388	0	31,728	
26	2048.49	136,733	10,456	0	147,189	(46,765)	(45,014)	(36,679)	(1,644)	0	(130,103)	(4,734)	12,352	0	0	0	(3,488)	8,864	31,728	0	40,593	
27	2049.50	139,626	10,770	0	150,396	(47,945)	(46,190)	(37,647)	(1,679)	0	(133,462)	(4,682)	12,252	0	0	0	(3,585)	8,667	40,593	0	49,259	
28	2050.51	142,579	11,093	0	153,672	(49,154)	(47,397)	(38,640)	(1,715)	0	(136,907)	(3,970)	12,795	(12,401)	0	0	(3,684)	(3,290)	49,259	0	45,969	
29	2051.52	145,593	11,426	0	157,018	(50,394)	(48,634)	(39,659)	(1,752)	0	(140,439)	(3,756)	12,823	(5,183)	0	0	(3,782)	3,858	45,969	0	49,827	
30	2052.53	148,668	11,768	0	160,436	(51,665)	(49,903)	(40,704)	(1,789)	0	(144,062)	(3,448)	12,927	(5,210)	0	0	(3,881)	3,836	49,827	0	53,663	
31	2053.54	151,806	12,122	0	163,928	(52,969)	(51,204)	(41,776)	(1,828)	0	(147,776)	(3,096)	13,056	(8,349)	0	0	(3,356)	1,350	53,663	0	55,014	
32	2054.55	155,009	12,485	0	167,494	(54,305)	(52,538)	(42,875)	(1,867)	0	(151,586)	(2,823)	13,086	(8,324)	0	0	(3,412)	1,349	55,014	0	56,363	
33	2055.56	158,277	12,860	0	171,137	(55,538)	(53,907)	(44,004)	(1,907)	0	(155,355)	(2,371)	13,411	(13,650)	0	0	(3,466)	(3,705)	56,363	0	52,658	
34	2056.57	161,613	13,246	0	174,858	(57,079)	(55,310)	(45,161)	(1,948)	0	(159,497)	(1,942)	13,419	(8,670)	0	0	(3,666)	1,083	52,658	0	53,741	
35	2057.58	165,016	13,643	0	178,659	(58,519)	(56,749)	(46,348)	(1,990)	0	(163,605)	(1,663)	13,391	(8,500)	0	0	(3,895)	996	53,741	0	54,736	
36	2058.59	168,489	14,052	0	182,541	(59,995)	(58,224)	(47,565)	(2,032)	0	(167,816)	(1,357)	13,367	(3,787)	0	0	(4,898)	4,681	54,736	0	59,418	
37	2059.60	172,032	14,474	0	186,506	(61,508)	(59,737)	(48,814)	(2,076)	0	(172,135)	(903)	13,468	(15,878)	0	0	(5,020)	(7,431)	59,418	0	51,987	
38	2060.61	175,648	14,908	0	190,556	(63,060)	(61,288)	(50,095)	(2,120)	0	(176,564)	(257)	13,735	0	0	0	(5,142)	8,593	51,987	0	60,579	
39	2061.62	179,337	15,355	0	194,692	(64,651)	(62,879)	(51,409)	(2,166)	0	(181,104)	(51)	13,537	(5,981)	0	0	(5,263)	2,293	60,579	0	62,873	
40	2062.63	183,102	15,816	0	198,918	(66,281)	(64,510)	(52,757)	(2,213)	0	(185,760)	100	13,257	0	0	0	0	13,257	62,873	0	76,129	

This page is intentionally left blank

Effect of charge increase on area bands

Weekly Charge	Property Band by Floor area	No of properties	2022/23 Weekly charge (£)	2023/24 Weekly Charge (£)	Increase £
	Band A <40 m ²	1,683	10.58	21.29	10.71
	Band B <50 m ²	2,196	13.20	25.56	12.36
	Band C <60 m ²	288	15.86	29.83	13.97
	Band D <70 m ²	631	18.47	34.10	15.63
	Band E <80 m ²	643	21.13	38.37	17.24
	Band F <90 m ²	201	23.78	42.94	19.16
	Band G <100 m ²	8	26.40	47.57	21.17
	Band H <110 m ²	11	29.04	52.26	23.22
	Band J <20 m ²	3	3.97	7.39	3.42
	Weighted average		14.46	27.60	13.14

Annual Charge	Property Band by Floor area	No of properties	2022/23 Annual Charge (£)	2023/24 Annual Charge (£)	Increase £
	Band A <40 m ²	1,705	550.16	1,106.96	556.80
	Band B <50 m ²	2,160	686.40	1,329.06	642.66
	Band C <60 m ²	213	824.72	1,551.16	726.44
	Band D <70 m ²	570	960.44	1,773.26	812.82
	Band E <80 m ²	570	1,098.76	1,995.36	896.60
	Band F <90 m ²	201	1,236.56	2,232.76	996.20
	Band G <100 m ²	8	1,372.80	2,473.56	1,100.76
	Band H <110 m ²	13	1,510.08	2,717.76	1,207.68
	Band J <20 m ²	3	206.44	384.46	178.02
	Weighted average		752.13	1,435.37	683.24

This page is intentionally left blank

Southampton City Council
HRA Business Plan
Major Repairs and Improvements Financing
(expressed in money terms)

		Expenditure				Financing							
Year	Year	Major Works & Imps £,000	Currently planned	New Build	Total Expenditure £,000	Borrowing £,000	RTB 141 Receipts £,000	Other RTB Receipts £,000	Other £,000	MRR £,000	RCCO £,000	Total Financing £,000	Shortfall £,000
			Build Costs £,000	planned Major Repairs £,000									
1	2023.24	46,685	6,648	0	53,333	26,364	0	1,330	0	21,637	4,002	53,333	0
2	2024.25	44,305	30,728	0	75,033	28,673	9,213	3,078	3,562	24,685	5,822	75,033	0
3	2025.26	37,675	31,033	0	68,708	30,407	0	1,241	8,210	24,643	4,207	68,708	0
4	2026.27	25,622	872	0	26,494	0	0	1,838	0	21,105	3,551	26,494	0
5	2027.28	30,419	0	0	30,419	4,233	0	1,889	0	22,271	2,026	30,419	0
6	2028.29	41,902	0	0	41,902	10,603	0	1,941	0	27,337	2,021	41,902	0
7	2029.30	43,069	0	0	43,069	10,349	0	1,995	0	26,121	4,605	43,069	0
8	2030.31	44,269	0	356	44,625	11,107	0	2,050	0	29,528	1,939	44,625	0
9	2031.32	45,502	0	366	45,868	11,915	0	2,107	0	28,944	2,902	45,868	0
10	2032.33	46,768	0	377	47,146	12,852	0	2,166	0	29,716	2,411	47,146	0
11	2033.34	29,674	0	389	30,063	0	0	2,226	0	25,556	2,281	30,063	0
12	2034.35	30,520	0	400	30,920	0	0	2,504	0	26,020	2,397	30,920	0
13	2035.36	31,389	0	412	31,802	0	0	2,574	0	26,727	2,501	31,802	0
14	2036.37	32,284	0	425	32,709	0	0	2,646	0	27,454	2,608	32,709	0
15	2037.38	33,204	0	438	33,641	0	0	2,721	0	28,202	2,718	33,641	0
16	2038.39	32,886	0	451	33,336	0	0	2,797	0	27,563	2,976	33,336	0
17	2039.40	33,818	0	464	34,282	0	0	2,876	0	28,296	3,110	34,282	0
18	2040.41	34,777	0	478	35,255	0	0	2,958	0	29,050	3,247	35,255	0
19	2041.42	35,762	0	492	36,255	0	0	3,041	0	29,824	3,390	36,255	0
20	2042.43	36,776	0	507	37,283	0	0	3,127	0	30,620	3,536	37,283	0
21	2043.44	37,276	0	522	37,799	0	0	3,216	0	30,806	3,776	37,799	0
22	2044.45	38,331	0	538	38,869	0	0	3,308	0	31,621	3,940	38,869	0
23	2045.46	39,415	0	554	39,969	0	0	3,402	0	32,458	4,109	39,969	0
24	2046.47	40,530	0	571	41,101	0	0	3,498	0	33,318	4,284	41,101	0
25	2047.48	41,676	0	588	42,264	0	0	3,598	0	34,202	4,463	42,264	0
26	2048.49	48,237	0	606	48,842	0	0	3,701	0	41,654	3,488	48,842	0
27	2049.50	49,607	0	624	50,231	0	0	3,807	0	42,839	3,585	50,231	0
28	2050.51	51,016	0	643	51,659	0	0	3,916	0	44,059	3,684	51,659	0
29	2051.52	52,465	0	662	53,127	0	0	4,028	0	45,317	3,782	53,127	0
30	2052.53	53,955	0	682	54,637	0	0	4,143	0	46,613	3,881	54,637	0
31	2053.54	57,800	0	702	58,502	0	0	4,262	0	50,884	3,356	58,502	0
32	2054.55	59,436	0	723	60,160	0	0	4,385	0	52,363	3,412	60,160	0
33	2055.56	61,119	0	745	61,864	0	0	4,511	0	53,887	3,466	61,864	0
34	2056.57	62,849	0	767	63,616	0	0	4,640	0	55,310	3,666	63,616	0
35	2057.58	64,628	0	790	65,418	0	0	4,774	0	56,749	3,895	65,418	0
36	2058.59	62,508	0	814	63,321	0	0	4,912	0	53,511	4,898	63,321	0
37	2059.60	64,284	0	838	65,123	0	0	5,054	0	55,049	5,020	65,123	0
38	2060.61	66,112	0	863	66,975	0	0	5,200	0	56,634	5,142	66,975	0
39	2061.62	67,991	0	889	68,880	0	0	5,350	0	58,268	5,263	68,880	0
40	2062.63	69,923	0	916	70,839	0	0	5,505	6,136	59,199	0	70,839	0

This page is intentionally left blank

STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT

1. INTRODUCTION

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

2. GENERAL POSITION

- a. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
- b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.
- c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

3. OBLIGATION TO MAKE A COUNCIL TAX

- a. The legal significance of the Annual Budget and setting a Council Tax derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) and Part 5 Chapter 1 of the Localism Act 2011 to set a balanced budget and Part 5 Chapter 1 of the Localism Act 2011. This is achieved by calculating the aggregate of:
 - i. the expenditure it estimates it will incur in the year in performing its functions in the year (including an allowance for contingencies),

- ii. the payments it estimates it will make in the year in defraying expenditure already incurred and
 - iii. expenditure it will incur in funding costs before a transfer of funds is made from the Collection Fund and then deducting such sums as will be paid into the General Fund, i.e. income. Calculations made under this section must be made before 11 March in the preceding financial year.
- b. In order to fulfil this duty, the Council must prepare detailed estimates of its expenditure for the coming year and of the resources that will be available to meet this expenditure. Account must be taken of any deficit brought forward from a previous year and the amount needed to cover contingencies. The resources include income from rents, fees and charges and any available balances. All of these issues must be addressed in the budget report. The estimation of the detailed resource and expenditure items is the main reason for the budget process. The budget must balance, i.e. proposed expenditure must be met from proposed income from all sources, with any shortfall being the precept on the Collection Fund.
 - c. Failure to make a lawful Council Tax on or before 11 March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.
 - d. Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for "the proper administration of their financial affairs'.
 - e. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
 - f. There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

4. DEFICIT BUDGETING

- a. A deficit budget, one which does not cover all anticipated expenditure with resources reasonably expected to be available, is unlawful. Any Council Tax which rests on such a budget will be invalid. Councils are constrained to make a Council Tax before all the separate elements, which will constitute available resources or anticipated expenditure, have been identified and quantified fully. Best estimates have to be employed.
- b. Where these best estimates include sums for unallocated savings or unidentified expectations of income, extreme care must be taken to ensure

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

5. BORROWING

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

6. OTHER RELEVANT LEGISLATION

- a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
- b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
- c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 25 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

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

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

- a. The 2000 Act has had a fundamental effect on the governance of the Council and in particular has resulted in a change to the working arrangements of Council, with the requirement for a Constitution setting out executive (Cabinet) and scrutiny and overview arrangements. The 2000 Act also provides a power for Councils to promote the economic, social and environmental well being of their areas and develop community strategies. In addition, the 2000 Act establishes an ethical framework.
- b. Of particular importance to the Council Tax setting process and Budget Meeting of the Full Council is the Council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require the Full Council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
- c. In addition, the Constitution contains a range of further material relevant to the setting of the Council Tax and the Budget Setting meeting:
 - i. Article 12 contains guidance on decision making and the law.
 - ii. The Council Procedure Rules in Part 4 regulate the conduct of the Full Council meeting (although traditionally, some of the rules relating to the conduct of the debate are suspended to allow different arrangements during the budget debate).
 - iii. The Members' Code of Conduct must be followed by Members.
 - iv. The Officer/Member Protocol contains guidance both on pre-budget discussions, but also on how officers and Members should interact with specific guidance about budget preparation issues.

9. PERSONAL LIABILITY AND SURCHARGE

The 2000 Act abolished the local government surcharge provisions and replaced them with a new statutory offence of 'misuse of public office'. This new statutory offence covers two situations, namely unlawfully incurring expenditure or incurring expenditure as a result of wilful misconduct. It also covers the exercise of a public function in a manner that involves dishonesty or oppression or malice. The Courts (rather than the External Auditor) would impose penalties. The Council could sue for losses/deficiencies sustained.

10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

- a. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council.
- b. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
- c. All decisions must be taken within the framework of the formal decision making process of the Authority. Members must take into account all relevant matters and disregard all irrelevant ones. Decisions taken at a political meeting, such as a political group meeting, have no status within this process. A Member, who votes in accordance with a group decision which has been reached, having regard to relevant factors and who has addressed their mind independently to those factors and to the decision itself, will be acting within the law.
- d. The Courts have also advised on the balancing exercise to be undertaken by a Council when deciding whether to pursue a particular policy:

A local authority must exercise its statutory powers in the public interest and for the purpose of which those powers have been conferred. Political views, as to the weight to be attached to the various relevant considerations and as to what is appropriate in the public interest in the light of those considerations may properly influence the exercise of a statutory discretion. A decision will not be unlawful merely because some political advantage, such as electoral popularity, is expected to flow from it, so long as the decision is made for a legitimate purpose or purposes. Because at some stage in the evolution of a policy an improper political purpose has been espoused, does not mean that the policy ultimately adopted is necessarily unlawful. However, a political purpose extraneous to the statutory purpose can taint a decision with impropriety. Where there is more than one purpose:

- a) *The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) *The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) *Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*

d) Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.

11. OTHER LEGAL IMPLICATIONS

The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council's Constitution.

Document is Confidential

This page is intentionally left blank