

## RECORD OF EXECUTIVE DECISION

Tuesday, 21 February 2023

**Decision No:** (CAB 22/23 36003)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	Cabinet Member for Finance and Change
SUBJECT:	The Revenue Budget 2023/24, Medium Term Financial Strategy and Capital Programme
AUTHOR:	Steve Harrison (Finance)

### THE DECISION

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 ESIA's 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 MTF's 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.
- (xxx1) 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.

## REASONS FOR THE DECISION

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.

#### **DETAILS OF ANY ALTERNATIVE OPTIONS**

1. 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.
2. 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.
3. 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.

#### **OTHER RELEVANT MATTERS CONCERNING THE DECISION**

None.

**CONFLICTS OF INTEREST**

None.

**CONFIRMED AS A TRUE RECORD**

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 21<sup>st</sup> February, 2023

Decision Maker:  
The Cabinet

Proper Officer:  
Judy Cordell

**SCRUTINY**

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*

**Decision No:**

**Decision No:**

Forward Plan No:  
This record relates to on the agenda for the Decision-Making