

# Public Document Pack

## Cabinet

Monday, 15th November, 2021  
at 6.00 pm

**PLEASE NOTE TIME OF MEETING**

### Members

Leader – Councillor Fitzhenry

Deputy Leader and Cabinet Member for Growth –  
Councillor Moulton

Cabinet Member for Finance – Councillor Hannides

Cabinet Member for Environment – Councillor S Galton

Cabinet Member for Communities, Culture and Heritage –  
Councillor Vassiliou

Cabinet Member for Health and Adult Social Care –  
Councillor White

Cabinet Member for Children’s Social Care – Councillor P  
Baillie

Cabinet Member for Education – Councillor J Baillie

Cabinet Member for Customer Service and  
Transformation – Councillor Harwood

(QUORUM – 3)

### Contacts

Cabinet Administrator

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## **BACKGROUND AND RELEVANT INFORMATION**

### **The Role of the Executive**

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

### **The Forward Plan**

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

### **Implementation of Decisions**

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

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

### **Use of Social Media**

The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair’s opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council’s Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public. Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council’s Guidance on the recording of meetings is available on the Council’s website.

### **Municipal Year Dates (Mondays)**

| <b>2021</b>    | <b>2022</b>     |
|----------------|-----------------|
| 15 June (Tues) | 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](http://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 2020-2025 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 **RECORD OF THE PREVIOUS DECISION MAKING** (Pages 1 - 4)

Record of the decision making held on 18<sup>th</sup> October, 2021, attached.

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

There are no matters referred for reconsideration.

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

There are no items for consideration

### 7 **EXECUTIVE APPOINTMENTS**

To deal with any executive appointments, as required.

## **ITEMS FOR DECISION BY CABINET**

### 8 **CARER FRIENDLY SOUTHAMPTON** □ (Pages 5 - 16)

Report of the Cabinet Member for Health and Adult Social Care detailing considerations in relation the Executive's response to the Scrutiny Inquiry into Carer Friendly Southampton and seeking to sign up to the Southampton Carers Strategy 2012 - 2026 that helps deliver and achieve the recommendations set out in the Inquires findings.

### 9 **CHANGES TO SACRE CONSTITUTION** (Pages 17 - 34)

To consider the report of the Cabinet Member for Education detailing changes to the SACRE Constitution.

**10 RIVER ITCHEN FLOOD ALLEVIATION SCHEME □ (Pages 35 - 48)**

Report of the Cabinet Member for Environment in consultation with the Cabinet Member for Growth detailing considerations regarding the alignment of the flood alleviation scheme.

**11 JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY ("JMWMS") □  
(Pages 49 - 86)**

Report of the Cabinet Member for Customer Service and Transformation seeking approval of the Joint Municipal Waste Management Strategy of the Project Integra partnership.

**12 UPDATES TO THE HIGHWAYS AND TRANSPORT CAPITAL PROGRAMME □  
(Pages 87 - 100)**

Report of the Cabinet Member for Growth, detailing updates to the five-year Highways and Transport investment programme.

**13 BUDGET MATTERS -NOVEMBER 2021 □ (Pages 101 - 118)**

Report of the Cabinet Member for Finance and Capital Assets and the Cabinet Member for Environment detailing the Council's Decarbonisation Scheme.

**14 EXCLUSION OF THE PRESS AND THE 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 annex to the following Item.

Annex 2.2 is considered to be exempt from general publication based on Categories (3 and 7a) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not the public interest to disclose this because these includes details of a proposed transaction which, if disclosed prior to contract, could put the Council or other parties at a commercial disadvantage.

**15 FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2021  
(Pages 119 - 194)**

Report of the Cabinet Member for Finance and Capital Assets setting out the financial position for the Council as at the end of September 2021.

**16 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 appendices to the following Item

The appendices are considered to be exempt from general publication based on Categories (3 and 7a) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not the public interest to disclose this because these includes details of a proposed transaction which, if disclosed prior to contract, could put the Council or other parties at a commercial disadvantage.

**17 TOYS R US SITE COMMERCIAL TERMS\* □ (Pages 195 - 256)**

Report of the Cabinet Member for Growth and the Cabinet Member for Finance and Capital Assets seeking Cabinet approval for the commercial terms over the Toys R Us site to enable it comprehensive development.

**18 EXCLUSION OF THE PRESS AND THE 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 Appendix 2 to the following Item.

Appendix 2 is considered to be exempt from general publication based on Categories (3) of paragraph 10.4 of the Council's Access to Information Procedure Rules.

**19 UPDATE ON THE CURRENT SOLENT FREEPORT PROPOSALS AND SUPPORT FOR THE SUBMISSION OF THE OUTLINE BUSINESS CASE (OBC)  
(Pages 257 - 274)**

To consider the report of the Cabinet Member for Growth detailing the associated structures and approvals required in support of the Solent Freeport.

This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information procedure Rules in Part 4 of the City Council's Constitution, notice having been given to the Chair of the relevant Scrutiny Panel and the Public. The matter requires a decision with the urgency linked to the impending submission of the updated Solent Freeport OBC and given Government's approval process. For these reasons the decision cannot be deferred for inclusion in the next Forward Plan for decision following 28 clear days' notice.

**20 EXCLUSION OF THE PRESS AND THE 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 Appendices 2-5 of the following Item.

The Appendices are considered to be exempt from general publication based on Categories 3 and 7(A) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not considered to be in the public interest to disclose the information either in this report or its appendices because doing so would put the Council or other parties at a commercial disadvantage and prejudice the Council's negotiating position and its ability to achieve best consideration.

**21 CALL-IN OF EXECUTIVE DECISION CAB 21/22 32527: NORTHERN ABOVE BAR PROPERTIES** (Pages 275 - 294)

Report of Chair of the Overview and Scrutiny Committee, detailing the Call-In of Executive Decision CAB 21/22 32527 – Northern Above Bar Properties.

Friday, 5 November 2021

Service Director – Legal and Business Operations



SOUTHAMPTON CITY COUNCIL  
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 18 OCTOBER 2021

Present:

|                      |   |  |
|----------------------|---|--|
| Councillor Fitzhenry | - | Leader   |
| Councillor Hannides  | - | Cabinet Member for Finance and Capital Assets          |
| Councillor S Galton  | - | Cabinet Member for Environment                         |
| Councillor Vassiliou | - | Cabinet Member for Communities, Culture and Heritage   |
| Councillor White     | - | Cabinet Member for Health and Adult Social Care        |
| Councillor P Baillie | - | Cabinet Member for Children's Social Care              |
| Councillor J Baillie | - | Cabinet Member for Education                           |
| Councillor Harwood   | - | Cabinet Member for Customer Service and Transformation |

Apologies: Councillor Moulton

21. EXECUTIVE APPOINTMENTS

Cabinet approved the following appointments:

1. University Hospital Southampton NHS Foundation Trust – Councillor Stead to replace Councillor White
2. Project Integra – Councillor Harwood to replace Councillor S Galton
3. (New) Violence Against Women and Girls Task Group – Councillor Vassiliou

22. COMMUNITY CHEST 2021/22 ROUND ONE DECISION

DECISION MADE: (CAB 21/22 32278)

On consideration of the report of the Executive Director for Communities, Culture and Homes, Cabinet Member for Communities, Culture and Heritage, agreed the following:

To agree the recommendations for 2021/22 round 1 grants made by the cross-party Community Chest Grant Advisory Panel as set out in appendix 2.

23. COMMUNITY FUND AND COMMUNITY CHEST GRANT CRITERIA

DECISION MADE: (CAB 21/22 32466)

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

- (i) Agree the criteria and process for applications to the Community Fund as set out in Appendix One.

- (ii) Delegate authority to the Executive Director for Communities, Culture, and Homes following consultation with the Cabinet Member for Communities, Culture & Heritage to determine the outcome of Community Fund applications.

24. SPECIAL SCHOOL EXPANSION AND RECONFIGURATION

DECISION MADE: (CAB 21/22 32464)

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

- (i) Approve an addition to the capital programme of £4.295M, with approval to spend, for the purchase of modular units on the Green Lane site to accommodate the September 2022 intake of pupils at Great Oaks Academy. Details are set out in paragraph 15.
- (ii) Approve the spend of £0.30M in 2021/22 to employ consultants to progress the overall SEND project. This will come from the previously agreed capital allocation of £4.4M within the capital programme. If long term proposals for the SEND developments on Green Lane are not approved, this would be an abortive cost and a pressure on the revenue budget for the General Fund.

25. ST MONICA' S SCHOOL ACADEMISATION

DECISION MADE: (CAB 21/22 32500)

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

- (i) To approve the addition of £1,262,000 to the Education & Children's Social care capital programme, along with approval to spend, as detailed in paragraph 1. This will fund the SCC R&M Statutory commitments as part of the forced academisation of St Monica's infant School, together with the provision of two permanent modular classrooms to facilitate amalgamation onto the Junior School site.
- (ii) To approve to transfer funding to the academy trust to complete the works and delegate the Executive Director – Children and Learning to undertake a transfer agreement.

26. SOUTHAMPTON BUS SERVICE IMPROVEMENT PLAN (BSIP)

DECISION MADE: (CAB 21/22 32445)

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

- (i) To approve the draft Southampton Bus Service Improvement Plan as required by the National Bus Strategy for publication and submission to the Department for Transport, and delegate authority to the Executive Director Place to make any necessary changes to the draft BSIP before submission, undertake consultation on the Enhanced Partnership, and carry out the

- annual BSIP review following consultation with the Cabinet Member for Growth.
- (ii) To approve the temporary change to the Southampton Concessionary Fare scheme to offer a local discretionary enhancement under Localism Act 2011 Section 1 to financially support the bus operator commercial offer for the £1 Evening Bus Fare and to extend the current Concessionary Fare eligibility categories in relation to this discretionary element of the Scheme only, this will apply until 31st March 2022.
  - (iii) To delegate authority to the Executive Director Place, following consultation with the Cabinet Members for Growth and Finance to determine the mechanism to administer the Evening Fares support under the Concessionary Fares reimbursement provisions.

Note: Cabinet considered and accepted the recommendations from Overview and Scrutiny Management Committee meeting, held on 14th October 2021.

27. NORTHERN ABOVE BAR PROPERTIES\*

DECISION MADE: (CAB 21/22 32527)

On consideration of the confidential report of the Cabinet Member for Finance and Capital Assets in consultation with the Cabinet Member for Growth, Cabinet agreed modified recommendations as agreed at the meeting.

NOTE 1: Section 8 of the report, 3rd paragraph, last sentence. Cabinet did not agree with this sentence.

NOTE 2: Paragraph 16 of the report. Cabinet rejected this statement.

NOTE 3: Cabinet considered and rejected recommendations received from Overview and Scrutiny Management Committee meeting, held on 14th October 2021.

28. REVISING THE LITTER ENFORCEMENT SERVICE\*

DECISION NOTICE: (CAB 21/22 32185)

On consideration of the confidential report of the Cabinet Member for Environment, Cabinet agreed recommendations as set out in the report.

NOTE: Cabinet considered, and accepted recommendations received from Overview and Scrutiny Management Committee meeting, held on 14th October 2021.

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# Agenda Item 8

|                               |   |  |  |
|-------------------------------|---|--|--|
| <b>DECISION-MAKER:</b>        | <b>CABINET</b>  |  |  |
| <b>SUBJECT:</b>               | <b>CARER FRIENDLY SOUTHAMPTON SCRUTINY INQUIRY RESPONSE &amp; ADULT CARERS STRATEGY 2021-26 YOUNG CARERS STRATEGY 2021-26</b> |  |  |
| <b>DATE OF DECISION:</b>      | <b>17 NOVEMBER 2021</b>   |  |  |
| <b>REPORT OF:</b>             | <b>COUNCILLOR WHITE<br/>CABINET MEMBER FOR HEALTH AND ADULT SOCIAL CARE</b>   |  |  |
| <u><b>CONTACT DETAILS</b></u> |   |  |  |
| <b>AUTHOR:</b>                | <b>Name:</b>  | Rachel Carse<br>Carers Improvement Lead<br>Wellbeing, Health & Adults<br><br>Dan Buckle, Integrated Head of Service Prevention and Early Help, Wellbeing, Children & Learning      | <b>Tel:</b> 07989330906                  |
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| <b>Exec Director</b>          | <b>Name:</b>  | Guy van Dichele, Wellbeing, Health & Adults<br>Rob Henderson, Executive Director Wellbeing, Children & Learning  | <b>Tel:</b> 07703498223<br>023 8083 4899 |
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## STATEMENT OF CONFIDENTIALITY

**NOT APPLICABLE**

## BRIEF SUMMARY

The Health Overview and Scrutiny Committee established a Scrutiny Inquiry into how unpaid carers and young carers were supported in the City, which reported in April 2021.

This paper sets out the Council's response to the Carer Friendly Southampton Scrutiny Inquiry's 10 recommendations underpinned by specific objectives. Appendix I provides full details on each recommendation.

The recommendations have been integrated into:  
Adult Carers Strategy 2021–2026

|  |   |
|--|---|
| Young Carers Strategy 2021-2026<br>Both these documents detail SCC's overarching intentions. |   |
| <b>RECOMMENDATIONS:</b>  |   |
|  | (i) To approve the response to the Carer Friendly Southampton Scrutiny Inquiry  |
|  | (ii) To approve the Adult Carers and Young Carers Strategies 2021-26  |
| <b>REASONS FOR REPORT RECOMMENDATIONS</b>  |   |
| 1.   | The main recommendations from the Scrutiny Inquiry provided an excellent kick start for the strategies. These have been incorporated and the strategies were then shared with a wide range of stakeholders, including carers in three face-to-face events and one online event, for comment. Comments on both strategies were made available to the public through Carers in Southampton's web site and a web-based form.<br><br>Final versions have been drafted following this input and are attached. Appendix II and Appendix III   |
| 2.   | Both strategies reflect the statutory duties the Local Authority has under two pieces of legislation:<br>The Care Act 2014 / The Children and Families Act 2014   |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>   |   |
| 3.   | N/A   |
| <b>DETAIL (Including consultation carried out)</b>   |   |
| 4.   | Evidence was gathered and presented to the Carer Friendly Scrutiny Inquiry by Carers living in the City, National Best Practice and evidence from health & social care service including voluntary organisations.<br>There were 10 overarching recommendations, each with specific objectives to support them as summarised in Appendix 1, with proposed actions set out against each recommendation.   |
| 5.   | Following this the two draft strategies, Adult Carers and Young Carers were developed and shared widely for comment with:<br>Carers via: <ul style="list-style-type: none"> <li>• Carers Co-production meeting</li> <li>• Carers Steering Group</li> <li>• Carers Partnership Board</li> <li>• 3 face-to face carers events</li> <li>• 1 online carers event</li> <li>• For those unable to attend, public comments could be gathered via the web-based form</li> </ul><br>Other stakeholder groups attended: <ul style="list-style-type: none"> <li>• Age Well Strategy Group</li> </ul> |

|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• Mental Health Partnership Board</li> <li>• Learning Disability Partnership Board</li> <li>• End of Life Steering Group</li> <li>• Children’s Multi Agency Partnership Board</li> <li>• Adults Safeguarding Board</li> <li>• PCN Clinical Directors</li> <li>• Children’s safeguarding board</li> <li>• Carers Partnership Board (final carer sign off)</li> </ul>   |
| <b>RESOURCE IMPLICATIONS</b>  |  |
| <b><u>Capital/Revenue</u></b>                                       |  |
| 6.  | <p>The Carers Strategy has set out an ambitious plan to identify and support more carers and young carers, neither receiving any financial support, in the city. £100k of the Better Care Fund has been allocated to respond to the initial needs in 2021/22.</p> <p>Supporting unpaid carers is viewed nationally and locally as being a highly effective way of supporting the most vulnerable people in communities.</p> <p>By supporting unpaid carers, the Council and the local health and social care services will be able to avoid or delay the use of higher cost services.</p> <p>It is anticipated that further investment in social care and health services will be required in future years, at present it is difficult to anticipate what funding will be required as the needs of the new carers identified are unknown. It is planned that Better Care funding will provide resources for development and piloting approaches to supporting carers, with a need to identify through annual budget rounds core base funding for adult social care.</p> <p>The Carers Strategy identifies the potential need for a carers’ hub or a number of centres in the city where carers can go to receive information, advice and support. Work is to commence in 2022/23 to coproduce with carers and stakeholders the infrastructure requirements. A business case setting out capital and revenue implications will be presented to the Council for consideration.</p> |
| <b><u>Property/Other</u></b>  |  |
| 7.  | N/A  |
| <b>LEGAL IMPLICATIONS</b>   |  |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |  |
| 8.  | Care Act 2014  |
| 9.  | The Children and Families Act 2014   |
| <b><u>Other Legal Implications:</u></b>                             |  |
| 10.   | n/a  |

|                                      |  |
|--------------------------------------|--|
| <b>RISK MANAGEMENT IMPLICATIONS</b>  |  |
| 11.                                  | n/a  |
| <b>POLICY FRAMEWORK IMPLICATIONS</b> |  |
| 12.                                  | This is in accordance with <a href="#">Joint Health and Wellbeing Strategy (2017-2025)</a> . |
| 13.                                  | Young Carers Strategy supports the Child Friendly City bid 2024/25                           |

|                                    |   |
|------------------------------------|---|
| <b>KEY DECISION?</b>               | <b>No</b>   |
| <b>WARDS/COMMUNITIES AFFECTED:</b> | <b>All</b>  |
| <u>SUPPORTING DOCUMENTATION</u>    |   |
| <b>Appendices</b>                  |   |
| 1.                                 | Response to Carer Friendly Southampton Scrutiny Inquiry |

**Documents In Members' Rooms**

|   |   |
|---|---|
| 1.  | Draft Adult Carers Strategy 2021/26 vs 3.2 25-10-21 |
| 2.  | Draft Young Carers Strategy 2021/26 vs 2.7 26-10-21 |
| 3.  | Equality Impact Assessment                          |
| <b>Equality Impact Assessment – attached</b>  |   |
| <b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b> | No  |
| <b>Data Protection Impact Assessment</b>  |   |
| <b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>      | No  |
| <b>Other Background Documents</b>   | n/a   |
| <b>Other Background documents available for inspection at:</b>  |   |



### CARER FRIENDLY SOUTHAMPTON SCRUTINY INQUIRY RESPONSE

#### *Recommendations from Scrutiny Panel*

All actions, progress, risks and issues will be reported to the Carers Partnership Board, who in turn feed into the Southampton City Partnership Board on a quarterly basis and present overall progress annually.

#### **To identify more carers:**

1. *Encourage and support GP practices in Southampton to become more carer aware/carers friendly by adopting the NHS England Framework of Quality Markers.*

- 1.1 Directors of the Primary Care Network have signed up to implement this framework within GP practices within Southampton.
- 1.2 The Integrated Commissioning Unit will work with Primary Care colleagues to develop an implementation plan which will monitor progress and report back.

By when: Plan agreed and produced by 31 March 2022, Implementation to start 22/23 financial year

2. *Akin to the Surrey Carers Workforce Task Group, to lead by example, promote the identification and support for carers employed within the City Council and NHS providers operating in Southampton.*

2.1 The Council, Solent, UHS and Southern Health are all developing support mechanisms for carers such as staff groups or online support.

2.2 Additionally, the Council and other organisations across the system will share and map the activities to identify common themes and approaches that can be adopted across employers.

By when: It is anticipated the mapping activity will be completed 31 March 2022, with staff groups up and running during 2022.

3. *Promote the Young Carers in Schools Programme within Southampton's schools and empower schools to identify and support young carers.*

3.1 The existing SCC provider, No Limits, have been given funding for a 6 month project worker to scope the needs within schools (across Primary, Junior, Secondary & Colleges) and develop a sustainable plan with costings for 2022/23 financial year.

By when: It is expected that No Limits will present this plan in December 21 /January 2022.

*4. In conjunction with young carers, establish a Southampton Young Carers Identification Card and seek the support of appropriate organisations to offer discounts to our young carers.*

4.1 A wider piece of work is being undertaken with SCC, UHS, Solent, Southern, Police, Fire, Ambulance, Carers and Young Carer to produce Carers Identification card/passport/lanyard that all can use.

4.2 Once a solution that is acceptable across the different parts of the Health, Social Care and Emergency services system, it will be implemented.

By when: There are two workshops 8 & 11 November, an implementation plan will be developed in December and implemented during 2022.

*5. Support the identification of a community hub/venue which makes it easier for carers to access support when needed.*

5.1 A mapping exercise needs to be conducted with carers to establish:

What kind of sessions would be welcome, e.g. Welfare advice, coffee and chat, wellbeing activities, health checks

Where in the city needs to be in the East, West and Central

Then identify the potential sites including: footfall, accessibility, cost

This will identify what carers want and need and where it can be provided. Following this exercise, start implementation across the city.

By when: Mapping and co-production to begin April 2022, Pilots across the City (East, Central and West) to start September 2022

***To improve information, advice and guidance:***

*6. Develop formal processes to encourage regular communication between the providers of carers information, advice and guidance in Southampton. Thereby duplication is minimised, advice is consistent, the no wrong door approach is applied and carers, or advocates, can navigate the system easily.*

6.1 This will be included in the action plan for the strategy. Carers in Southampton are now using Refernet, a system to share referrals between Advice, Information and Guidance providers.

6.2 Work with Advice, Information and Guidance providers to develop a specific offer for Carers and link it to the Council information.

***To improve assessments:***

*7. Review the process for undertaking parent-carer assessments to ensure that all parent-carers who have an appearance of need, or request one, have access to the statutory assessment, and, that they are actively involved in the assessment.*

7.1 This is being reviewed by Children's services and in co-production with parent carers.

By when: Coproduction is complete. It is now being worked on to align with CareDirector IT development. Staff training and implementation is expected to be complete by April 2022. From then the assessment will be in use across Children's.

*8. Incorporate the principles being applied in Portsmouth to the assessments being undertaken by carer organisations in Southampton.*

8.1 The assessment process is being reviewed and we will incorporate the principles of this approach into CareDirector (the new Social Care Client Relationship Management System).

8.2 Once it's been designed, it will run on CareDirector of 6 months and be reviewed in terms of quality assurance.

By when: Work to develop a new assessment format within CareDirector is underway.

Incorporate carers into CareDirector training programme for social worker and carer provider services being developed to coincide with implementation of CareDirector 2022, then reviewed Sept 22 to determine future development need.

***To improve support for carers in Southampton:***

*9. Embed the strengths-based approach to assessment and care planning into practice in Adult Social Care.*

9.1 The redesign of carers assessments (recommendation 8) is being taken forward as part of the implementation of Care Director (a new social care IT system). It will incorporate the need to take a strength based, person centred and assets-based approach.

9.2 Adult Social Care and carer provider support services to access community assets map to help develop carers support plan.

9.3 As part of using the community asset map, ASC and carer provider support services to identify and log gaps in provision. Working with carers groups and local voluntary, community and faith groups to coproduce solutions, building on what is currently available.

By when: 9.1 Work to develop a new assessment format within CareDirector is underway. It is anticipated CareDirector will be fully functioning by end of this financial year.

9.3 Community asset work is expected to be functioning by May 2022.

*10. Learning from the examples of Surrey and Portsmouth, utilising community assets, work with carers to develop a broader offer of breaks and activities that can provide support to carers in their caring role and to have a life outside of their caring role. Support should be accessible to an increased number of carers recognising the health and wellbeing benefits to carers of early intervention and support.*

10.1 The community assets map has been developed and will inform this work (see recommendation 9). A small amount of funding has been identified through the Better Care Fund 2021/22 to pilot a community assets based approach to support breaks for carers in neighbourhoods in the city. This will inform a wider review of respite and short breaks during 2022/23.

By when: Work is to start Jan 22 to work with carers and communities to coproduce the community assets based approach to carer support and breaks, with grant funding to be made March 22. Implementation is expected to commence April 22.

The wider review is expected to report back Sept 2022

*11. With carers, review the provision of training for carers to ensure that it meets their needs.*

11.1 Mapping of current training, coaching and support will take place across the health and social care system including voluntary sector: taking into account of national and local offers, which may be online, face to face or e-learning.

11.2 A carer training and development survey will be undertaken in April 22 to identify current and unmet needs to determine and prioritise future training and development needs.

11.3 Carer training needs to be incorporated with the health and social care workforce training needs assessment and opportunities to access available opportunities to be made available.

11.4 Based on identified need and priorities, specific training for carers to be delivered, supported by appropriate local services and charities.

11.5 Principle Social Worker for adults is working with Carers Partnership Board to coproduce some carer training for social workers.

By when: 11.1 – 11.4 - By June 22 to have completed the training and development needs analysis. By September 22 for a programme of available training to be published by local carer services.

11.5 – Starting January 2022

*12. Consider how carers can be involved in the City of Culture Bid planning and celebrations.*

12.1 Link Carers Steering Group with arts and culture groups, involved in the City of Culture bid process, and working with community development partners, to look at developing opportunities for carers.

By when: During 2022/2023

***To help carers stay in, enter or return to work, education and training:***

*13. Sign up to the Employment for Carers umbrella membership scheme and work with Carers UK to promote the available resources to businesses in Southampton.*

*14. To enhance the City Council's reputation as a carer friendly employer, seek accreditation to the Carer Confident Scheme.*

By when: These are currently being explored with regard to efficacy and best value. We will revert to the committee by April 2022.

*15. As part of the movement to embed social value into the procurement process, encourage suppliers to the Council to become accredited to the Carer Confident Scheme.*

By when: Due regard for Carers will be embedded in social value section of procurement from April 2022.

As above with regard to the Carers Confident Scheme as it is intrinsically linked to purchasing Employment for Carers umbrella membership scheme.

*16. Pilot the MYTIME Young Carers employability programme in Southampton and explore opportunities to embed this within the work of the recently established Youth Hub developed in partnership with the DWP, and the work being delivered by No Limits.*

By when: This will be explored in order to seek resources and begin April 2022

***To improve the involvement of carers:***

*17. Embed the practice of working in co-production with carers and people with lived experience, as well as other stakeholders, to ensure they are involved in the development, design and provision of services to meet their real needs.*

17.1 This is in development; actions so far comprise:

Carers Steering Group – comprised a variety of carers to help raise issues, influence, scrutinise, monitor and co-produce solutions

Carers Partnership Board – comprised carers, various health and social care providers as well as the two commissioned carer providers. This forum is to share what's going on across the different organisations and see how best to link up as well as raising any concerns around services.

17.2 Other work will include the key priorities from both carers and the strategy.

By when: Both the steering group and partnership board have been running since the Inquiry.

Other work and timing is covered in the strategy action plan.

Council officers are refreshing the co-production principles to share with all services.

***To improve transitioning:***

*18. Develop a Memorandum of Understanding between Adult Social Care and Children's Services to support the transitioning of young carers into adult carers and parent carers caring for an adult child.*

18.1 This work has started and national MOU document is being developed to be specific to Southampton, so a whole family approach is taken by the Council and provider services.

18.2 During the consultation of the strategy, it has been raised that transition also applies to many other situations, such as:

A cared for young person becoming an adult  
A cared for adult moving out of home to live independently  
A cared for adult turning 65 and transitioning into older people's services

By when: It is anticipated this signing of the MOU will be complete March 22.

Embedding into practice will take longer and the MOU will be shared with both principle social workers (Children and Adults) in order to support its use in relation to training. An update will be provided by March 23.

The wider areas acknowledged above will be considered and addressed in the action plan – likely during 2022/23.

***To improve co-ordination of support for carers, and with carers:***

*19. Develop a Carers Charter that all organisations that work with carers can adopt and promote its principles. Hampshire Carers Charter is based on the four key principles for supporting carers adopted by Southern Health Foundation Trust.*

19.1 The strategy and action plan is being reviewed annually, it would be more appropriate to consider this at a later date, say 2024.

Given the volume of work and the timeframe of five years, a lot of the work that is being carried will directly improve the support to carers.

*20. Establish a carer led Southampton Carers Partnership to ensure that the views of carers are listened to and to improve the effectiveness of multi-agency working in achieving outcomes for carers based on priorities they have said make a real difference to them.*

20.1 This has been in place since Nov 2020

***To improve the sharing of data and intelligence to support carers:***

*21. Explore how the Care and Health Information Exchange (CHIE) can be improved in design or usage, to enable carers to only tell it once and for relevant services to have timely access to carers emergency plans.*

21.1 The Integrated Care System lead for IT personalisation has produced an approved digital architecture to allow patients to record information about themselves using apps. This approach is currently being trialled to ensure the pathway is functional. If successful, it will be possible in the future for carers to record information about themselves and the person they care for using an app and for this to be visible to health and social care professionals.

Work is being planned across the integrated care system to develop a common data set to gather and present relevant information needed by health and social care professionals with regard to carers needs and wishes. The information will include the carer emergency plan.

By when: This is ongoing and likely to have a further update in April 2022

*22. Purchase access to Carers UK 'Digital Resource for Carers'. This would give all carers in Southampton free access to training, the Jointly app designed by Carers UK to help store and to share information and manage care and other digital support.*

22.1 A number of apps are being tested and considered by carers. A final choice will be made and Southampton will be led by carers preferences. The app chosen, will have to be compatible with the technology mentioned in 21.

By when: A final decision will be made by January 2022

***To measure progress in delivering improved outcomes for carers and to recognise the contribution carers play in our health and care system:***

*23. Southampton City Council adopts carers as a protected group requiring the Council to make sure decisions, policies or procedures do not have unintended consequences for carers.*

By when: This is being explored in terms of practical application and benefit. We will revert in April 2022.

*24. Develop a dashboard of appropriate metrics to measure and monitor the outcomes for carers in Southampton. Progress should be considered regularly by the Better Care Board.*

24.1 In development. It is intended there is a quarterly update to the Better Care Board with annual attendance to present progress so far.

24.2 We are working with carers and services to identify what metrics are meaningful for them.

By when: This work has started and will be completed by April 2022.



# Agenda Item 9

|                          |  |
|--------------------------|--|
| <b>DECISION-MAKER:</b>   | CABINET  |
| <b>SUBJECT:</b>          | SACRE – ANNUAL REVIEW OF CONSTITUTION AND MEMBERSHIP     |
| <b>DATE OF DECISION:</b> | 15 NOVEMBER 2021   |
| <b>REPORT OF:</b>        | COUNCILLOR JAMES BAILLIE<br>CABINET MEMBER FOR EDUCATION |

| <b><u>CONTACT DETAILS</u></b> |               |  |                    |
|-------------------------------|---------------|--|--------------------|
| <b>Executive Director</b>     | <b>Title</b>  | EXECUTIVE DIRECTOR WELLBEING (CHILDREN AND LEARNING) |                    |
|                               | <b>Name:</b>  | <b>Robert Henderson</b>                              | Tel: 023 8083 2079 |
|                               | <b>E-mail</b> | <b>Robert.henderson@southampton.gov.uk</b>           |                    |
| <b>Author:</b>                | <b>Title</b>  | <b>Cross Phase Adviser</b>                           |                    |
|                               | <b>Name:</b>  | <b>Alison Philpott</b>                               | Tel: 07500050277   |
|                               | <b>E-mail</b> | Alison.philpott@southampton.gov.uk                   |                    |

## **STATEMENT OF CONFIDENTIALITY**

n/a

## **BRIEF SUMMARY**

The Council is required to consult SACRE (Southampton Standing Advisory Council on RE) annually on a review of the SACRE Constitution and receive any recommended changes put forward following that consultation. Following review of available data regarding the representation of religious and belief demographics within the City, the membership of SACRE is proposed to change, adding an additional member to reflect the full range of beliefs held by people living in Southampton, to include those with professed religious and non-religious beliefs, pending a further review when the most recent Census data is released in early 2022. It is also proposed to provide an additional member to represent Southampton City Mission within group A.

## **RECOMMENDATIONS:**

|  |     |  |
|--|-----|--|
|  | (i) | <p>To approve the amended Constitution for SACRE attached at Appendix 1 including the addition of two additional voting members in Group A.</p> <p>One for a representative having no specific religious affiliation, recognising secular representation as a 'belief' within the meaning of the Human Rights Act 1998 and accurately reflecting the changing nature of religious and non-religious beliefs in current society and the Southampton area (Note – this Recommendation was NOT supported by Group A of SACRE at their meeting on 2<sup>nd</sup> November 2021, however was supported by Groups B-D).</p> <p>One for a representative of Southampton City Mission as representative of their work on behalf of a group of churches not</p> |
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|  |       | covered by the other members (Supported by all SACRE groups at their meeting on 2 <sup>nd</sup> November 2021).   |
|  | (ii)  | If recommendation (i) above is approved Cabinet is asked to delegate authority to the Executive Director of Wellbeing, following consultation with the Chair of Sacre to agree an application process and determine any applications / appoint members to the 'belief' vacancy set out above.   |
|  | (iii) | To delegate authority to the Executive Director of Wellbeing, following consultation with the Chair of Sacre to carry out a further review of SACRE membership once the Census 2021 data has been published in 2022 and to bring back any further recommendations on Membership changes to the next annual review of the SACRE Constitution in November 2022.                         |
|  | (iv)  | To approve the additional changes to the constitution including that SACRE 2.1; must follow the SCC complaints process for any complaints received; 12.2 that future decisions from SACRE do not require unanimity; minor word changes to represent the changing landscape of maintained and academy schools, and job role titles. (SACRE unanimously supported this recommendation). |

#### **REASONS FOR REPORT RECOMMENDATIONS**

|    |   |
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| 1. | <p>Recommendation i</p> <p>Current data that has been collected from the available school information systems indicate that parents of over 13,500 children (40%) recorded that their child has “no religion” which is the largest single group represented across current pupils across the city. There is no further breakdown available so it is not known if any other non-religiously affiliated groups would want to have a seat on SACRE.</p> <p>During the last review (November 2020) full voting membership for Humanists as a specific group was considered, but not recommended. This previous decision has been considered in this review and there was insufficient evidence that Humanists would represent all people who would be within this population group .</p> <p>A review of pupil data has shown a need to reflect wider ‘belief’ systems (including a belief in secularism) and recognises based on the current evidence that a place should be made available to accommodate this within the SACRE Constitution. In order to ensure all groups representing secular or non-religious beliefs have an opportunity to apply for a place on SACRE an application process, has been proposed so SACRE can aim to ensure appropriate representation from across all groups, within the SACRE legal framework, who may belong to the population group in the city, and recognise this would include people who would say they are Humanists.</p> <p>If this proposal is rejected and the status quo persists then it is probable that the South Hampshire Humanists and / or other affected groups will seek a Judicial Review with an aim to have the decision overturned. A similar risk would exist if Humanists were simply appointed to the SACRE without a fair and transparent application process open to all. This would potentially have a financial and reputational implication to SCC.</p> |
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|  | <p>Group A to which both proposed new membership groups would join did not give a reason for their non-unanimity regarding the non-religiously affiliated member recommendation. But they did state they were not unanimous and therefore under the current constitution this meant they could not vote to approve the recommendation. The three other groups B-D all voted to approve the recommendation,</p> <p>Second part of recommendation i</p> <p>The Southampton City Mission should be considered within Group A members as a “Christian Charity seeking to serve the whole Church as it serves the city of Southampton”. Southampton City Mission may consider its place within other organisations or together with the other named denominational groups – both of which are within Group A. Therefore, there is a current position to apply for membership within in the current constitution arrangements. This was approved as a unanimous vote for all four groups on SACRE.</p>   |
| 2.   | <p>Recommendations ii</p> <p>This recommendation was made so as to aid the ability to move swiftly forwards to design a process that is fair and transparent for any persons who would wish to apply. This was not unanimously supported by Group A as a direct result of their decision not to support offering an additional vacancy to which the application process would apply. Groups B approved accepting it was recognised as a compromise position to their preferred option of simply appointing a Humanist representative to Group A, and groups C and D voted unanimously to support.</p> <p>Recommendation iii was made as the census data should be available Spring 2022 and at this point a more robust review would be able to be undertaken of all membership groups so as to ensure that representation is accurate of the City’s current population. This was unanimously supported by SACRE and would result in a full review of all membership places and allocation of places in the November 2022 review of the SACRE Constitution and membership.</p> <p>Recommendation iv – was made to ensure that the constitution includes the expectation if the SACRE received complaints as part of its duty, the better reflect the changing education landscape for schools whilst recognising that 88% of schools locally use the syllabus which includes the majority of schools who become academies also. The other aspect was to remove the need for unanimity for group decisions which can be hindered if there is non-attendance or the group could reach a compromise position. That is not currently possible in the current constitution so would be of benefit to business moving forwards in a pragmatic manner collaboratively recognising that not all groups may always agree, but that the option for compromise can be achieved.</p> |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b> |  |
| 3.   | <p>To either give full membership to Southampton Hampshire Humanists, but thereby preventing other non-faith groups being represented, <b>or</b> having no non-faith groups represented on SACRE which would disenfranchise a sizeable proportion of those living in Southampton and prevent their views and opinions from helping to shape the overall nature of Religious Education</p>  |

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|  | <p>in maintained schools specifically under SACRE statutory duties, and those non-maintained who follow the Locally Agreed Syllabus.</p> <p>Alternatively, to continue with co-opted member status, for both requested membership additions, however this has previously been the subject of legal challenge by a Local Humanist group and while a legal challenge may be defensible under current legislation, it is unlikely to be in the public interest to defend such proceedings when there is evidence supporting the need to review membership to include more secular belief systems being represented on SACRE.</p> <p>If the constitution were to retain the need for unanimity for group votes it would mean that compromise decisions would be unable to be achieved which would limit the decision making ability of the committee so this recommendation was made.</p>  |
| <b>DETAIL (Including consultation carried out)</b> |  |
| 4.   | There is a legal duty to review the membership of SACRE annually in accordance with the Education Reform Act 1988 and Education Act 1996.  |
| 5.   | Investigation has been carried out to ascertain what local population and school level data is available to aid SACRE to determine their decision. The data sets used rely upon all schools having input all information for all pupils. Data validity check indicates this is likely to be reasonably accurate, but it is not 100%. The pupil census information no longer captures religion as a required field hence the non-complete data. 88% of Southampton Schools follow the Locally Agreed RE Syllabus which the SACRE has responsibilities for – all maintained schools, but also 25 out of 29 academies also choose to follow the local syllabus. The 5 Catholic schools have their own Diocesan syllabus they must follow. Therefore, just over 80% of pupils across the city are educated through the SACRE recommended syllabus. The census data, yet to be available will provide more reliable data upon which to base any further decision making for next year’s review. |
| 6.   | At least two additional representative groups have expressed a desire to be represented on SACRE as set out below. These expressions of interest can be taken forward as applications for a place on SACRE within group A – Firstly, for Southampton City Mission as a representative religious body a decision on membership can be made directly within current constitution. Secondly, South Hampshire Humanists can be as part of the proposed application process for a Local Authority designated place for representatives of other belief or non-religiously affiliated groups.  |
| 7.   | A request from the co-opted City Mission representative for Southampton City Mission to become a full member was made in September 2021, Southampton City Mission a well-established charity who in the last year, despite the pandemic have delivered at least part of the religious education provision in 51 schools locally, over 100 days of support and input to schools but do not otherwise qualify for a voting place on the SACRE under current allocation of places.  |
| 8.   | The South Hampshire Humanists have also requested their co-opted position be changed to a voting member of Group A.  |

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|   | <p>Legal advice was sought by the Council in September 2019 which indicated it was not appropriate to convert the Humanist co-opted position to a full voting one at that time.</p> <p>Following the request from South Hampshire Humanists to be considered for a full voting position on SACRE a legal challenge was launched in December 2020 by way of pre action protocol letter (Judicial Review). The Council sustained its legal advice, taking independent Counsel's Opinion on the merits of its position, and the Judicial Review was withdrawn. The Council did however agree to review the membership of SACRE as part of that withdrawal agreement and bring forward proposed changes to the SACRE Constitution in November 2021 based on evidence of belief and non-belief systems within the City and the degree to which any individual organisation could claim to represent those. While it is clear that there is a substantial proportion of the population identifying that they either have no faith or another form of belief system, there is insufficient data currently available to determine that these individuals and groups would be adequately represented by the South Hampshire Humanist organisation. It is therefore proposed, in order to be fair and transparent, that a place be offered to a secular belief representative through an application process and the South Hampshire Humanist application put forward through that process.</p> |
| 9.  | <p>SACRE met to consider this report and its recommendations on 2<sup>nd</sup> November 2021 as a consultee on any proposed Constitutional changes (with the final decision resting with the Council). SACRE's voting on each recommendation is reflected above. No reasons were given as to why Group A were unable to achieve unanimity on supporting the recommendation to add a 'belief' representative to group A. It was simply noted that one member of the group did not feel able to support the proposal.</p>   |
| <b>RESOURCE IMPLICATIONS</b>  |   |
| <b><u>Capital/Revenue</u></b>                                       |   |
| 10.   | None applicable.  |
| <b><u>Property/Other</u></b>  |   |
| 11.   | <p>Time implication is likely to be required to manage the application process. This may require the Executive Director for wellbeing to set aside time to meet, consider and take decisions regarding further new member groups. It is anticipated that due to SACRE members being volunteers and from a range of locations the process will be developed to manage a remote process to review applications.</p>   |
| <b>LEGAL IMPLICATIONS</b>   |   |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |   |
| 12.   | The SACRE has been established pursuant to the Education Reform Act 1988 and its membership is determined in accordance with s390 Education Act 1996 and supporting Regulations and Guidance.   |
| 13.   | s390 of the 1996 Act requires that the Council appoint to Group A "a group of persons to represent such Christian denominations and other religions and denominations of such religions as, in the opinion of the authority, will appropriately reflect the principal religious traditions in the area". Even if the  |

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|                                      | words “or beliefs” are inserted after “such religions” and “or belief” after “traditions” as recent challenges have argued should be the case in accordance with the provisions of the Human Rights Act 1998, the Council may appoint full members of Group A only where it is satisfied that those members “appropriately reflect” the “principal” religious (or belief) traditions in the area. The Council has carried out a review and determined there is a need to provide voting places to up to two additional members on Sacre to be selected via a fair and transparent application process absent further detail of the breakdown of these beliefs into , for example, Humanism, or other belief systems. |
| <b>Other Legal Implications:</b>     |  |
| 14.                                  | Human Rights Act 1998 (discussed above)  |
| <b>RISK MANAGEMENT IMPLICATIONS</b>  |  |
| 15.                                  | Risks around the decision are linked to any decisions SACRE make in the future. This is linked to the current GROUP A membership having vacancies as well as adopting a process that may be viewed by some as being beyond the legal SACRE framework.  |
| <b>POLICY FRAMEWORK IMPLICATIONS</b> |  |
| 16.                                  | The work of SACRE meets a statutory duty - a regularly reviewed Locally Agreed Syllabus for Religious Education, with monitoring across schools to improve outcomes for children regarding school’s statutory duties for religious education and collective worship. It also provides advice and guidance to schools regarding faith matters they may encounter, including for the teaching of statutory relationships guidance from a faith perspective.  |

|                                    |  |
|------------------------------------|--|
| <b>KEY DECISION?</b>               | No   |
| <b>WARDS/COMMUNITIES AFFECTED:</b> | All  |
| <u>SUPPORTING DOCUMENTATION</u>    |  |
|                                    |  |
| 1.                                 | Final Proposed changes to SACRE constitution – November 2021 |

**Documents In Members’ Rooms**

|    |                                       |
|----|---------------------------------------|
| 1. | Equality and Safety Impact Assessment |
| 2. |                                       |

**Equality Impact Assessment**

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

**Data Protection Impact Assessment**

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| <b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b> | <b>No</b> |
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**Other Background Documents**

**Other Background documents available for inspection at:**

| <b>Title of Background Paper(s)</b> | <b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b> |  |
|-------------------------------------|---|--|
| 1.                                  | Appendix has the relevant document "Proposed SACRE membership and constitution 2021-2022"   |  |
| 2.                                  | Equality impact assessment being undertaken   |  |

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## SOUTHAMPTON CITY COUNCIL

### STANDING ADVISORY COUNCIL ON RELIGIOUS EDUCATION (SACRE)

#### Proposed CONSTITUTION November 2021

## 1 AIM

1.1 The aim of the SACRE is to provide advice to the Authority upon such matters connected with collective worship in schools, and the religious education to be taught in accordance with an agreed syllabus.

In Southampton, SACRE will also liaise with academy and free schools not required to teach the Locally Agreed Syllabus, but a syllabus of their choosing, so as to provide overview of matters connected with collective worship and religious education across maintained, academy and free schools in the city to support best practice identification and raise concerns if needed.

## 2 OBJECTIVES

2.1 The core objectives of the SACRE are:

- to provide independent consultation and detailed scrutiny on any matters within its scope of interest;
- to determine any application from the head teacher of a maintained school, following consultation with the governing body, for an amendment to the requirement that collective worship be wholly or mainly of a broadly Christian character;
- to publish an annual report which:
  - i. specifies any matters on which the SACRE has advised the Authority;
  - ii. broadly describes the nature of that advice; and
  - iii. sets out its reasons for offering advice on any matters which were not initially referred to the SACRE by the Authority.

In addition to making the report available for public inspection, a copy shall be sent to the relevant Government Department and to the National Association of SACREs (NASACRE) as well as any other organisations the SACRE deems appropriate.

- To ensure that any complaints made to SACRE regarding RE or Collective Worship in schools are managed in accordance with Southampton City Councils complaints process.

## 3 SCOPE OF INTEREST

3.1 The scope of interest of the SACRE shall include:

- any such matters connected with collective worship in City schools, and the religious education to be taught in accordance with an agreed syllabus as the Authority may refer to the SACRE, or as the SACRE may consider appropriate; and
- the statutory duty of the Authority to review its agreed syllabus every five years and to convene an Agreed Syllabus Conference.

#### **4 RELATIONSHIP OF THE SACRE WITH THE LOCAL AUTHORITY**

- 4.1 The SACRE will have a separate identity and independent voice within the arrangements. The SACRE should be consulted by the Local Authority on any issues falling within its scope of interest.

#### **5 ACCOUNTABILITY AND BUSINESS PLANNING**

- 5.1 The SACRE is independent of the Council. The Education Reform Act 1988 requires the City Council as a Local Authority to establish a SACRE. When reports and actions are required that need to be considered by the Council they will be formally considered by the Cabinet or Cabinet Member or Officer acting under delegated powers.

#### **6 LEGAL FRAMEWORK**

- 6.1 The SACRE is established pursuant to the Education Reform Act 1988.
- 6.2 To facilitate the effective operation of the SACRE in accordance with its aims, the SACRE will respond as necessary to any further government guidance, legislation or new initiatives impacting upon the areas of responsibility of functions of the SACRE.

#### **7 THE ACTIVITIES OF THE SACRE**

- 7.1 In pursuit of its aims the SACRE will:
- operate to a timetable that mirrors the municipal year of the Local Authority.
  - hold meetings (including extraordinary meetings) at a time of day and at an appropriate location to allow full participation by members:
    - i. at the Civic Centre and/or other venues;
    - ii. at the end of the school day;
    - iii. or otherwise notified to SACRE members five clear working days before each regular meeting.

- hold its meetings at least once per term, no less than three times per year;
- require at least one member from each voting group to be present to constitute a quorum in order to have a fully constituted meeting;
- always seek to operate on a consensus basis. If it is not possible to reach a consensus, members will be required to undertake a formal vote as set out in paragraph 12 of this Constitution;

review and recommend to Cabinet (Cabinet Member) any amendments to its Constitution on an annual basis following a formal consultation process with the relevant parties;

- review and adopt the terms of reference for any sub-committees on an annual basis at the first meeting of each financial year following a formal consultation process with the sub-committees;
- keep a written record of all SACRE meetings and meetings of any sub-committees;
- any member of the SACRE may submit items to be included on the agenda of a main meeting of the SACRE supported by a written statement/report to the Chair at least 10 working days before the meeting;
- agenda and reports will be circulated generally at least five working days prior to the meeting;
- create sub-committees where necessary;
- be able to ask that the Local Authority consider holding an extraordinary meeting of the SACRE at the written request of at least one member.

### **Confidential Business**

- Report authors are responsible for informing the clerk, in advance, of the status of reports to be included on the Agenda and if they contain confidential or commercially sensitive information and with such items of business, the principles of the Local Government (Access to Information) Act 1985 will apply. Reports that are to be treated as confidential should be marked accordingly and contain the appropriate confidentiality clause.
- Where an item of business before the SACRE is marked as confidential, that item of business will be discussed in private. The professional advisors to the SACRE may attend and speak at the SACRE meetings on consideration of all matters considered in private. Members of the public and observers (including other elected Members or Officers of the Council) shall be excluded from the consideration of any confidential item.

## 8 FREEDOM OF INFORMATION

- 8.1 Request for Information under the Freedom of Information Act will be handled in accordance with the Council's published procedures for dealing with such requests.

Any Member of the SACRE receiving a request under the FOIA will be required to pass that request to Legal & Democratic Services within 24 hours of receipt of that request in order that Legal & Democratic Services may deal with the request on behalf of the SACRE within the 20 working day time limit.

Where a request has been made for the disclosure of information covered by a qualified exemption under the Freedom of Information Act 2000 (or other relevant information), the Chair, vice-chair and professional adviser of the SACRE will be invited to attend a Public Interest Test Panel meeting to consider the potential disclosure. If the Chair, vice chair or professional adviser are unable to attend the meeting the request will be dealt with by the Panel at their discretion. Where the Panel decides that the balance of interest is in favour of the disclosure of the information requested, Legal & Democratic Services will arrange for disclosure. Where the Panel decides that the balance is in favour of the non-disclosure of the information requested, the information requested will be withheld and Legal & Democratic Services will arrange for the reasons for the decision to be communicated in writing. Such decisions will be made after taking any appropriate legal advice in accordance with the Council's published policies and procedures.

## 9 MEMBERSHIP

- 9.1 The SACRE shall comprise members drawn from four groups, appointed by the Authority, as specified below:

### GROUP A

One representative of each of the religions and other bodies listed below:

Christian Denominations

|  |                            |
|--|----------------------------|
| The Roman Catholic Church                          | The Methodist Church       |
| The Baptist Union                                  | The United Reformed Church |
| The Religious Society of Friends                   | The Assemblies of God      |
| The Greek Orthodox Church                          | The Salvation Army         |
| The Fellowship of Independent Evangelical Churches |                            |
| <b>Southampton City Mission</b>                    |                            |

Religions other than Christianity

|          |         |
|----------|---------|
| Judaism  | Islam   |
| Hinduism | Sikhism |
| Buddhism | Baha'i  |

**Other bodies**

Appointed representative for people with non-religious affiliation or belief not represented by any other membership group

GROUP B

Four representatives of the Church of England nominated by the Diocese of Winchester

GROUP C

Four teachers/ retired teachers representing associations recognised by the Authority for the purposes of consultation and negotiation with one representative per association.  
National Education Union (NEU), National Association Schoolmasters and Union of Women Teachers (NASUWT), National Association of Head teachers (NAHT), Association of School and college leaders (ASCL).

GROUP D

Four representatives of the Southampton City Council, at least two of whom shall be elected members of the City Council.

- 9.2 In addition to members drawn from these four groups detailed above, one person appointed in respect of the Academies and free schools operating in the City of Southampton which previously had Community or Voluntary status may sit as a member of the SACRE. Academies are included (for non-voting purposes) simply because they are not technically represented by any other group and deliver part of the public sector curriculum (albeit with a different status to maintained schools) and effectively replace the old concept of Government Maintained schools. Foundation schools are not specifically included because they are effectively covered elsewhere as they are maintained schools (in common with community and Voluntary schools) and are thus represented by other groups already present on the Committee.
- 9.3 The SACRE may co-opt additional persons, including such teachers as may be necessary to ensure adequate representation of teachers who are actively concerned with religious education. Co-options shall be for the period set by the SACRE.
- 9.4 Members of the SACRE, with the exception of co-opted members and the non-religious affiliate member, shall be appointed for a period of four years.
- 9.5 In accordance with regulations, the Local Authority will review the membership of the SACRE on an annual basis in line with the Constitutional review, and may terminate the membership of any member of the SACRE by giving one month's written notice.
- 9.6 In addition to the term of office coming to an end, a member ceases to be a member of the SACRE if he or she resigns from the SACRE or no longer occupies the office which he or she was nominated to represent.
- 9.7 A member of the SACRE appointed by the Authority may be removed from membership by the Authority at any time if, in the opinion of the Authority, the person ceases to be representative of either the denomination, religious group, association or Academy which he/she was appointed to represent.
- 9.8 Subject to condition 9.7, above, members of the SACRE having served a full term are eligible for re-appointment.
- 9.9 The SACRE will receive support and advice from the Local Authority School Improvement Officers.
- 9.10 At the discretion of the Chair of the SACRE, Advising Officers can attend SACRE meetings. Advising Officers provide information and professional expertise but are not members of the SACRE and cannot vote.
- 9.11 The Executive Director Wellbeing, and the Executive Member with responsibility for the SACRE shall have a standing invitation to attend all SACRE and sub-committee meetings but are not members of the SACRE and cannot vote. At the discretion of the Chair they may address the meeting.

- 9.12 At the discretion of the Chair of the SACRE, Observers can attend SACRE meetings. Observers are interested individuals who have been invited to attend SACRE meetings. At the discretion of the Chair of the SACRE observers can address the meeting but they are not members of the SACRE and cannot vote.

Meetings of the SACRE are open to the public unless members resolve that an item of business be considered in private session and with such items of business the principles of the Local Government (Access to Information) Act 1985 will apply.

Members of the public do not have a right to speak at any meeting of the SACRE but may address the SACRE at the discretion of the Chair. Members of the public do not have rights to vote.

## 10 ELECTION AND NOMINATION OF SACRE MEMBERS

- 10.1 Members of the SACRE are responsible for the method by which they elect and nominate their representatives, and each **faith** representative group within the SACRE will be responsible for the method by which they elect their representatives.

- 10.2 The membership of existing schools members is valid until such members' terms of office come to an end or they resign or they become otherwise ineligible for membership. When a vacancy does arise, the authority must appoint a replacement schools member to the SACRE to represent the same group as the retiring member.

- 10.3 Nomination of the **individual representative** members is by a process of supported nomination from the body the person will be representative of. The SACRE will formally endorse membership by a simple majority vote at the next available meeting of the SACRE.

10.4 In respect of new **faith representative groups** seeking a member place – the group the member would join will need to vote to recommend the addition to the Local Authority. **The chair will take the SACRE recommendation forward to Executive member for Wellbeing for consideration and decision. This will occur at the start of each academic year, prior to the first SACRE meeting.**

**10.5 Application to the SACRE to be considered for the No religious affiliation or belief representative can be made by any person who considers themselves as such and will require them to demonstrate how they will be able to positively contribute to the work of Southampton SACRE and the meeting of its statutory duties. This process will be developed through 2022, undertaken by a sub-committee prior to the first SACRE meeting of the academic year. This representative's membership will be reviewed annually and will be for the same, full academic year. At the end of the year re-application can be made by the same person. This representative will have full voting rights within group A**

## 11 MEETINGS

11.1 Meetings of the SACRE shall be held in public.

## 12 VOTING

12.1 On any matter to be decided by the SACRE, the four groups A, B, C, and D shall be entitled to vote and each group shall have a single vote. The Academies' representative and the co-opted members do not have a vote.

12.2 Decisions within a group about how the vote is to be cast **do not require unanimity**. Each group is to regulate its own proceedings, including provision for resolving deadlock.

12.3 In the event of a tied vote, the Chair shall have the casting vote.

## 13 CODE OF PRACTICE

13.1 Members of the SACRE will operate in accordance with the Local Code of Conduct for Members. Members are therefore required to sign a declaration in respect of the Code of Conduct and also complete a Register of their Interests.

13.2 Interests, whether personal or prejudicial, should be declared. If a member has a prejudicial interest they should declare that interest and withdraw from the meeting and take no part in the decision.

13.3 Members who fail to attend three consecutive meetings without a satisfactory explanation will have their membership reviewed by the SACRE.

## 14 CHAIRING

14.1 The Chair and Vice Chair will be appointed from the members of Groups A, B, C and D. Such appointments shall be for the Municipal Year or until the person appointed ceases to be a member of the SACRE, whichever is sooner.

14.2 Persons continuing to be members of the SACRE are eligible for re-appointment to the position of Chair or Vice Chair.

## 15 SERVICING THE COMMITTEE

15.1 The specific responsibilities of the Chair and Members of the SACRE will be as set out in this Constitution and the Education Reform Act 1988.

15.2 The specific responsibilities of meeting support of the City Council will be to:-

- convene meetings of the SACRE;
- arrange accommodation for meetings;



- co-ordinate and act as secretariat to meetings;
- copy, circulate and dispatch appropriate papers; and

Democratic services will provide appropriate guidance on the operation of local government and other relevant procedures.

15.3 The specific responsibilities of the Professional Advisors to the SACRE will be to:

- provide advice to the SACRE and any sub-committee(s) on professional issues; and
- advise and update SACRE members on any new government guidance or policy documents.
- Support SACRE members in their monitoring role
- Ensure that the review of the Locally Agreed Syllabus is carried out within statutory timescales

## 16 **DISPUTES AND COMPLAINTS**

16.1 The SACRE is intended to be a collaborative, co-operative body and needs to ensure that no particular sector or member is unduly favored. Problems and issues should normally be debated and resolved at the SACRE meetings. However, if parties feel that these have not been resolved, the following process should be followed and minutes taken.

16.2 Stage 1: The parties who are in dispute meet with the Chair of the SACRE and the Professional Advisor who will assist in finding or recommending a solution.

16.3 Stage 2: A special meeting of the SACRE is convened, with papers prepared by the parties representing different views. The Chair and the Professional Advisor also prepare a paper offering possible options for resolution. If the problem is not resolved, the dispute is referred to Stage 3.

16.4 Stage 3: If the issue is not resolved then guidance or clarification will be sought from the relevant Government Department.

16.5 Complaints from members of the public will be handled by the Council's Complaints Procedure.

## 17 **NON COMPLIANCE OF ACTIVITIES**

17.1 Issues of non-compliance will, in the first instance, be referred to the Chair of the SACRE who will investigate and attempt to reach satisfactory resolution through discussion with the representative of the agency concerned. In the event of satisfactory resolution not being reached, the matter will be referred to the next SACRE meeting.

18 **MONITORING AND INSPECTION**

18.1 The effectiveness of the SACRE will be assessed by Internal Review.

**OVERVIEW AND SCRUTINY**

18.2 The SACRE and its members will co-operate with any reasonable request by the Council in respect of its overview and scrutiny functions under Section 21 Local Government Act 2000. Any requests for information or attendance of SACRE members at the relevant overview and scrutiny committee will be made as soon as possible and generally at least 10 days before the meeting.

# Agenda Item 10

|                          |   |
|--------------------------|---|
| <b>DECISION-MAKER:</b>   | <b>Cabinet Council</b>                              |
| <b>SUBJECT:</b>          | River Itchen Flood Alleviation Scheme               |
| <b>DATE OF DECISION:</b> | 15 November 2021<br>17 November 2021                |
| <b>REPORT OF:</b>        | Councillor Galton<br>Cabinet Member for Environment |

| <b>CONTACT DETAILS</b>    |         |  |                    |
|---------------------------|---------|--|--------------------|
| <b>Executive Director</b> | Title:  | Executive Director of Place  |                    |
|                           | Name:   | Kate Martin  | Tel: 023 8083 4670 |
|                           | E-mail: | <a href="mailto:Kate.Martin@southampton.gov.uk">Kate.Martin@southampton.gov.uk</a>           |                    |
| <b>Author</b>             | Title:  | Service Manager - Service Delivery and Projects  |                    |
|                           | Name:   | Annamarie Hooper   | Tel: 023 8083 2181 |
|                           | E-mail: | <a href="mailto:Annamarie.Hooper@southampton.gov.uk">Annamarie.Hooper@southampton.gov.uk</a> |                    |

## STATEMENT OF CONFIDENTIALITY

Not Applicable.

## BRIEF SUMMARY

Currently 153 homes and 288 businesses are at risk of flooding on the west bank of the River Itchen. Southampton City Council (SCC) has an opportunity to better protect homes and businesses and support future regeneration opportunities by reducing flood risk through the delivery of the River Itchen Flood Alleviation Scheme (RIFAS); a partnership project between the Environment Agency (leading the design and construction) and SCC (leading the communications, investment and supporting the delivery). Approval is sought from Members on the leading option, a mix of setback and frontline flood defences, and £3M Community Infrastructure Levy (CIL) investment in the scheme.

The leading option identifies Drivers Wharf as a viable setback defence. SCC owns approximately 45% of the land area, which includes part of the existing quay wall that is in a failing state, and therefore has an opportunity to invest in Drivers Wharf now to deliver a frontline defence, which will reduce flood risk to the whole site and eliminate the requirement for a 2<sup>nd</sup> scheme within the next 10 years. Approval is sought from Members to invest £7.2M CIL (additional cost required to upgrade to a frontline defence, from a setback, at Drivers Wharf) as it offers efficiencies through design and delivery as part of the RIFAS. If not approved, the RIFAS will continue as setback on this site, and SCC will need to address the quay wall later as a separate scheme.

## RECOMMENDATIONS FOR CABINET

|  |       |  |
|--|-------|--|
|  | (i)   | Notes and recommends to Council the option; a mix of setback and frontline flood defences.   |
|  | (ii)  | Notes this option involves a contribution of £3M from the Council to secure scheme funding of £31.5M from a Flood and Coastal Erosion Risk Management (FCERM) grant-in-aid (GiA) external grant. |
|  | (iii) | Notes and recommends to Council the approval of the alignment on Drivers Wharf as a frontline.   |
|  | (iv)  | Notes this option involves a further contribution of £7.2M from the Council, bringing the total contribution to £10.2M, to be funded from CIL in full.   |

## RECOMMENDATIONS FOR COUNCIL

|  |     |  |
|--|-----|--|
|  | (i) | To approve the addition of £10.2M to the Growth capital programme as a contribution to the flood alleviation scheme which will be delivered by the Environment Agency. The £10.2M will be funded from Strategic CIL developer contributions; the Investment Strategy, to be delivered as part of the Outline Business Case in Spring 2022, will profile when the investment will be required (by financial year) during the project. The profile will be presented as part of the Capital Programme in February 2022 for capital programme budget setting. |
|--|-----|--|

|  |      |  |
|--|------|--|
|  | (ii) | Agrees that the addition of £10.2M to the Growth Programme is subject to approval to spend. Approval to spend will be sought once the final project and its costings are agreed with the Environment Agency following the submission of the final Outline Business Case (likely to be in Spring 2022).   |
| <b>REASONS FOR REPORT RECOMMENDATIONS</b>          |      |  |
| 1.   |      | Current flood risk to 153 homes, 288 businesses, short sections of mainline railway, parts of the A3024 Northam Road, and various critical infrastructure sites (electrical substations, pumping stations). By 2120, the flood risk increases to 1,167 homes and 1,033 businesses, with potential flood depths of up to 1.8m.  |
| 2.   |      | Better protection to Northam Estate, a large SCC housing stock and community within 10% most deprived areas in England.  |
| 3.   |      | Improve the opportunity for regeneration by reducing flood risk to the area, without precluding development of waterside sites in the future.  |
| 4.   |      | Replacement of SCC owned quay wall at Drivers Wharf required within 10 years.  |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b> |      |  |
| 5.   |      | Do Nothing (£0) – no intervention. Rejected as leaves homes (including SCC Housing stocks) and businesses exposed to present-day flood risk. Drivers Wharf quay wall at risk of failure within 10 years.   |
| 6.   |      | Full setback (£27.1M) – a raised wall with an alignment taking the shortest viable route across the scheme area. Rejected as it leaves large areas at risk of flooding. Drivers Wharf quay wall at risk of failure within 10 years.  |
| 7.   |      | Full frontline (£122.9M) – new raised wall (steel sheet piles) along the length of the riverbank. Rejected as unaffordable.  |
| <b>DETAIL (Including consultation carried out)</b> |      |  |
| 8.   |      | There is a history of flooding events within the scheme area. Recent recorded events include 1999, 2005, 2008/9 and 2014. Flooding, recorded on 14 February 2014, damaged vehicles and impacted businesses, roads and footways. It is believed that many more incidents of flooding have historically been experienced but not recorded due to the predominately private ownership in the area.  |
| 9.   |      | The scheme seeks to install flood risk management infrastructure to reduce the risk of tidal flooding along the west bank of the River Itchen – a 3.6km stretch from Mount Pleasant Industrial Estate to the Southampton Water Activities Centre. The frontage is heavily urbanised and dominated by a variety of commercial businesses.   |
| 10.  |      | A timeline of the RIFAS programme to date:<br><b>November 2012</b> – The Southampton Coastal Flood and Erosion Risk Management Strategy identified the west bank of the River Itchen as a priority area for intervention due to the high flood risk.<br><b>2014-2015</b> – The RIFAS Preliminary Study identified two options: a frontline and setback defence.<br><b>2015-2016</b> – The RIFAS Outline Business Case determined the frontline defence as the preferred option.<br><b>February 2016</b> – At a Cabinet meeting, it was recorded that, ‘Two options have been identified, A Front Route Option and a Back Option. The Front Route Option was recommended and agreed as the preferred option’.<br><b>June 2017</b> – Planning Permission approved for the RIFAS Front Route Option with conditions.<br><b>2017</b> – Cost review of Front Route Option by Balfour Beatty and the Environment Agency. Costs escalated from ~£40M to ~£80M. The RIFAS stopped due to the Front Route Option being unaffordable and a lack of resource to deliver.<br><b>February 2018</b> - At Council meeting it was recorded that, ‘Due to the large scale of the project, work still ongoing to assess potential additional external funds, alongside alternative proposals should funding not be secured’. |

|     |   |
|-----|---|
|     | <p><b>May 2019</b> – Partnership arrangement agreed between SCC and the Environment Agency to deliver the RIFAS.</p> <p><b>2019-2022</b> – Joint Project Team (SCC, the Environment Agency and consultants and contractors) progressing the scheme through option development to Outline Business Case submission in Spring 2022.</p> <p><b>2019 and 2020</b> – Consultation workshops with internal SCC departments to ensure that the scheme aligns, as far as possible, with other council aspirations, plans and strategies, and to consider placemaking opportunities.</p> <p><b>2021</b> – Stakeholder engagement took place with landowners and businesses that may be impacted by the scheme (presenting all options).</p> <p><b>September – November 2021</b> – Papers and Outline Business Cases (OBCs) have been presented at SCC Governance forums and the recommendations for the preferred scheme option, Drivers Wharf frontline alignment and CIL investment were supported at Place Leadership Team, Change Authority Board, Capital Review Group and by the Cabinet Members for Environment, Growth and Finance and Capital Assets. Leader briefing arranged for 25/10/21.</p>  |
| 11. | <p><u>Advantages of the leading scheme option:</u></p> <p><b>Affordable</b> – the leading option is affordable with Grant-in-Aid.</p> <p><b>Reduces flood risk</b> – better protects all existing homes, including the Northam Estate which is a large SCC Housing stock.</p> <p><b>Environment</b> – significantly less encroachment into the Itchen Estuary which is a designated Special Protection Area (SPA).</p> <p><b>Carbon</b> – significantly lower carbon footprint, when compared to frontline, meeting the aspirations of the Southampton Green City Plan (2020) to reduce carbon from SCC schemes.</p> <p><b>Aligns to the current Local Plan (2012)</b> – supports delivery of the mixed-use frontage as set out within the Local Plan and City Centre Master Plan (2013). These plans note the need for strategic flood defences to unlock development potential in a high-risk flood zone.</p> <p><b>Regeneration (area wide)</b> – reduction in flood risk promotes development in all areas benefiting from the defence.</p> <p><b>Regeneration (development and access)</b> – setback is more adaptable to future waterside land use; more flexibility in matching frontline infrastructure to a future land use, providing opportunity for enhanced public realm and waterside access.</p> |
| 12. | <p><u>Disadvantages of the leading scheme option:</u></p> <p><b>Remaining risk</b> – approximately 30 businesses with land or buildings remaining riverside of the defence and at risk of flooding. Most are ‘water compatible’ and likely to recover quickly following a flood event.</p> <p><b>Wall heights</b> – vary between 1.4 - 1.8m depending on current land heights. Setback areas will help screen industrial areas, but frontline areas may limit waterside access and public realm.</p> <p><b>Flood gates</b> – operation and maintenance of gates will be considered once outline design is complete and a total requirement for gates is assessed. Flood gates are a feature in both frontline and setback alignments.</p>   |
| 13. | <p><u>Advantages of frontline alignment at Drivers Wharf:</u></p> <p><b>Reduces liabilities</b> that could arise from a collapse or breach of the existing quay wall – health and safety, damages and contamination of a Special Protection Area (SPA). Outline design for a frontline flood defence is included in the current outline design work for the OBC as part of the RIFAS.</p> <p><b>Cost savings</b> – addressing flood risk and quay wall replacement (current structure is failing) with delivery as a single scheme, generating efficiencies with procurement, staff resources and less compensation to land users for disruption as single scheme.</p> <p><b>Flood risk reduction to maximum land area</b> – improving viability for regeneration of SCC and third-party land interests in the future (noting other constraints on this site</p>  |

|                              | including contamination, pollution and highway capacity issues).   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
|------------------------------|--|-------------|-----------|--------------------------|-------|---------------|------|-------------|------|-------------------|--------------|-------|--|-------------------|-----------|-----------|--------|------------------------|--------|--------------------|-------|----------------------|---------------|
| 14.                          | <p><u>Disadvantages of frontline alignment at Drivers Wharf:</u></p> <p><b>Some disruption</b> – to waterside businesses during construction phase (but less than delivery of two schemes if a setback alignment is designed at this location).</p> <p><b>Frontline defence acceptance</b> – one stakeholder on site has expressed concern during recent stakeholder engagement.</p> <p><b>Frontline wall heights in region of 1.7m</b> – may reduce access to waterside in future land uses, as well as operations of existing land uses.</p>   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <b>RESOURCE IMPLICATIONS</b> |  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <u>Revenue</u>               |  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 15.                          | The scheme is being delivered by the Environment Agency (design and construction), with SCC staff leading the communications, investment and supporting the delivery. The revenue resource required from SCC to deliver the scheme has been identified as 1.72 FTE across eight members of staff and is included in the Flood Risk Management team's existing. It is expected that the resource requirement will reduce for the construction delivery stage, which commences in 2024 (due for completion in 2027).   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <u>Capital</u>               |  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 16.                          | The capital investment needed to deliver the leading scheme option is estimated to be £32M (which includes Drivers Wharf as a setback alignment). This will be an Environment Agency led scheme who will the majority of the scheme cost. SCC is expected to contribute £3.0M (which unlocks £31.5M FCERM GiA external grant funding). An additional £7.2M is required (difference between cost of setback and frontline) to change the alignment of the defence at Drivers Wharf and enable the replacement of the failing SCC owned quay wall. The total of £10.2M will be funded by Strategic CIL developer contributions.  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 17.                          | The anticipated phasing of the council's contribution is shown in Appendix 2, although this is provisional at an early stage of the project. The protracted timeframes will allow for future CIL proceeds to assist funding this project, so it is not expected to mean that current CIL funds held and 'banked' already have to be assigned.  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 18.                          | <p>Details of the overall scheme costs and investment are set out in the table below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Cost</b></th> <th style="text-align: right;"><b>£M</b></th> </tr> </thead> <tbody> <tr> <td>Main Scheme (Env Agency)</td> <td style="text-align: right;">32.00</td> </tr> <tr> <td>Drivers Wharf</td> <td style="text-align: right;">7.20</td> </tr> <tr> <td>Contingency</td> <td style="text-align: right;">3.50</td> </tr> <tr> <td><b>Total Cost</b></td> <td style="text-align: right;"><b>42.70</b></td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <th style="text-align: left;"><b>Investment</b></th> <th style="text-align: right;"><b>£M</b></th> </tr> <tr> <td>FCERM GiA</td> <td style="text-align: right;">-31.50</td> </tr> <tr> <td>CIL (SCC contribution)</td> <td style="text-align: right;">-10.20</td> </tr> <tr> <td>Ext. Contributions</td> <td style="text-align: right;">-1.00</td> </tr> <tr> <td><b>Total Funding</b></td> <td style="text-align: right;"><b>-42.70</b></td> </tr> </tbody> </table> | <b>Cost</b> | <b>£M</b> | Main Scheme (Env Agency) | 32.00 | Drivers Wharf | 7.20 | Contingency | 3.50 | <b>Total Cost</b> | <b>42.70</b> | <hr/> |  | <b>Investment</b> | <b>£M</b> | FCERM GiA | -31.50 | CIL (SCC contribution) | -10.20 | Ext. Contributions | -1.00 | <b>Total Funding</b> | <b>-42.70</b> |
| <b>Cost</b>                  | <b>£M</b>  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| Main Scheme (Env Agency)     | 32.00  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| Drivers Wharf                | 7.20   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| Contingency                  | 3.50   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <b>Total Cost</b>            | <b>42.70</b>   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <hr/>                        |  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <b>Investment</b>            | <b>£M</b>  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| FCERM GiA                    | -31.50   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| CIL (SCC contribution)       | -10.20   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| Ext. Contributions           | -1.00  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| <b>Total Funding</b>         | <b>-42.70</b>  |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 19.                          | Most of the Environment Agency funding will be secured through FCERM GiA. The maximum FCERM GiA available for the recommended scheme is £31.5M, which is capped by the number of properties protected and damages avoided over the lifetime of the scheme. This funding is only accessible if the whole scheme cost can be secured and can only be used for the viable scheme design and delivery.   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |
| 20.                          | The SCC contribution to the scheme cost is the target for contributions recommended by the Department for Environment Food and Rural Affairs (DEFRA) and the excess (above scheme cost) can be used to contribute towards public realm and other green initiatives associated within the overall scheme.   |             |           |                          |       |               |      |             |      |                   |              |       |  |                   |           |           |        |                        |        |                    |       |                      |               |

| 21.   | <p>The CIL contribution will be applied to the scheme throughout the delivery period of 2021/22 – 2027/28 in a way that best fits the Council’s capital programme and will be specified in the project’s Investment Strategy and agreed as part of the Full Business Case (FBC) to be delivered in 2024. The current forecast for the SCC contribution is profiled as follows by financial year:</p> <table border="1" data-bbox="318 281 1352 537"> <thead> <tr> <th data-bbox="318 281 500 344">SCC contribution</th> <th data-bbox="500 281 613 344">2023/24<br/>£M</th> <th data-bbox="613 281 748 344">2024/25<br/>£M</th> <th data-bbox="748 281 862 344">2025/26<br/>£M</th> <th data-bbox="862 281 997 344">2026/27<br/>£M</th> <th data-bbox="997 281 1131 344">2027/28<br/>£M</th> <th data-bbox="1131 281 1245 344">2027/28<br/>£M</th> <th data-bbox="1245 281 1352 344">Total<br/>£M</th> </tr> </thead> <tbody> <tr> <td data-bbox="318 344 500 407">SCC contribution</td> <td data-bbox="500 344 613 407">0.5</td> <td data-bbox="613 344 748 407">4.0</td> <td data-bbox="748 344 862 407">4.2</td> <td data-bbox="862 344 997 407">0.5</td> <td data-bbox="997 344 1131 407">0.5</td> <td data-bbox="1131 344 1245 407">0.5</td> <td data-bbox="1245 344 1352 407">10.2</td> </tr> <tr> <td data-bbox="318 407 500 501">Funded by:<br/>draw from<br/>CIL</td> <td data-bbox="500 407 613 501">0.5</td> <td data-bbox="613 407 748 501">4.0</td> <td data-bbox="748 407 862 501">4.2</td> <td data-bbox="862 407 997 501">0.5</td> <td data-bbox="997 407 1131 501">0.5</td> <td data-bbox="1131 407 1245 501">0.5</td> <td data-bbox="1245 407 1352 501">10.2</td> </tr> <tr> <td data-bbox="318 501 500 537"><b>Net</b></td> <td data-bbox="500 501 613 537">0</td> <td data-bbox="613 501 748 537">0</td> <td data-bbox="748 501 862 537">0</td> <td data-bbox="862 501 997 537">0</td> <td data-bbox="997 501 1131 537">0</td> <td data-bbox="1131 501 1245 537">0</td> <td data-bbox="1245 501 1352 537">0</td> </tr> </tbody> </table> | SCC contribution | 2023/24<br>£M | 2024/25<br>£M | 2025/26<br>£M | 2026/27<br>£M | 2027/28<br>£M | 2027/28<br>£M | Total<br>£M | SCC contribution | 0.5 | 4.0 | 4.2 | 0.5 | 0.5 | 0.5 | 10.2 | Funded by:<br>draw from<br>CIL | 0.5 | 4.0 | 4.2 | 0.5 | 0.5 | 0.5 | 10.2 | <b>Net</b> | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|---|--|------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|------------------|-----|-----|-----|-----|-----|-----|------|--------------------------------|-----|-----|-----|-----|-----|-----|------|------------|---|---|---|---|---|---|---|
| SCC contribution  | 2023/24<br>£M  | 2024/25<br>£M    | 2025/26<br>£M | 2026/27<br>£M | 2027/28<br>£M | 2027/28<br>£M | Total<br>£M   |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| SCC contribution  | 0.5  | 4.0              | 4.2           | 0.5           | 0.5           | 0.5           | 10.2          |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| Funded by:<br>draw from<br>CIL                              | 0.5  | 4.0              | 4.2           | 0.5           | 0.5           | 0.5           | 10.2          |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| <b>Net</b>  | 0  | 0                | 0             | 0             | 0             | 0             | 0             |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 22.   | <p>Other sources of external funding are being sought, which, if successful, will be swapped to reduce the need for the £10.2M contribution to be funded solely from CIL contributions. For example, £1M is currently being secured through Local Levy from the Southern Regional Flood and Coastal Committee (SRFCC) and the Department of Education.</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| <b>Property/ Other</b>                                      |  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 23.   | <p>Reduction in current and longer-term flood risk to private homes and businesses, four schools and SCC owned buildings, including Northam Community Centre, the units at Paget Street and housing stock within the Northam Estate.</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 24.   | <p>The RIFAS may increase the viability of future regeneration on Council owned land at Drivers Wharf as it reduces the constraint of flood risk. Further improvement to viability will be gained by combining the replacement quay wall with a frontline defence.</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 25.   | <p>The RIFAS does not preclude future regeneration opportunities.</p>  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| <b>LEGAL IMPLICATIONS</b>                                   |  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| <u>Statutory power to undertake proposals in the report</u> |  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 26.   | <p>The Environment Agency will lead scheme delivery in accordance with the Environment Agency permissive powers assigned under the Land Drainage Act 1991.</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 27.   | <p>Statutory powers to undertake proposals to manage flood and erosion risks are held by SCC under the Coast Protection Act 1949, the Land Drainage Act 1991 and the Flood and Water Management Act 2010, although these are permissive powers only. Where necessary, and to facilitate delivery of the scheme by the Environment Agency, they can be appointed as the Council’s agents to deliver in accordance with the Council’s discretionary legal powers.</p>  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 28.   | <p>Planning permission together with any other regulatory consents will be required prior to construction (commencement 2024).</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| <u>Other Legal Implications</u>                             |  |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 29.   | <p>An Environmental Impact Assessment to minimise the impact to the environment will be carried out as detailed design progresses.</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |
| 30.   | <p>An Equality and Safety Impact Assessment under the Equalities Act 2010 has been carried out. Most person types will not be negatively impacted by the RIFAS, including age, gender reassignment, marriage and civil partnership, race, religion or belief, sex, sexual orientation, and those affected by poverty. Negative issues and impacts include; approximately 30 businesses with land or buildings will remain waterside and therefore at risk of flooding – most are ‘water compatible’ and likely to recover quickly following a flood event and the project will aim to support the businesses with alternative flood risk mitigation measures; some disruption to public access areas which may impact people with a disability, e.g., footpaths during construction – to be mitigated where possible with temporary or permanent alternatives; flood gates required for the scheme may negatively impact businesses that remain waterside in the event of a flood event – flood gates will be designed out where possible, evacuation plans will be produced, and a flood warning system will provide early notification to evacuate; increased carbon during construction</p>   |                  |               |               |               |               |               |               |             |                  |     |     |     |     |     |     |      |                                |     |     |     |     |     |     |      |            |   |   |   |   |   |   |   |

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|                                      | which may impact health and wellbeing – materials and construction techniques will be sought to minimise impact; and, disruption to businesses during construction – will be minimised by ongoing stakeholder engagement.  |
| <b>RISK MANAGEMENT IMPLICATIONS</b>  |  |
| 31.                                  | The project uses a Risk Register to identify, monitor and manage any high, medium and low project risks from design through to construction.   |
| 32.                                  | Financial – scheme costs include a risk allowance, however there may be increases in costs identified following completion of outline and subsequent detailed design.  |
| 33.                                  | Stakeholder – approximately 30 businesses with land or buildings are likely to remain waterside of the defence. A majority of these are ‘water-compatible’ operations and evacuation plans will be produced as a project deliverable.                                |
| 34.                                  | Reputational – should SCC decide not to proceed with the RIFAS, there may be reputational risks associated with future flood events.   |
| 35.                                  | Asset maintenance and flood gate operation – a Management and Maintenance Plan will be developed during detailed design as part of the FBC. This will identify any responsibilities of future flood gate maintenance and operation.                                  |
| 36.                                  | Drivers Wharf asset – if not addressed through the RIFAS, SCC will be responsible for managing the replacement quay wall separately.   |
| <b>POLICY FRAMEWORK IMPLICATIONS</b> |  |
| 37.                                  | The RIFAS will deliver the first phase of flood defence infrastructure to Southampton’s highest flood risk area as set out within the Southampton FCERM Strategy (2012), and Local Flood Risk Management Strategy (2014).  |
| 38.                                  | The RIFAS contributes to the delivery of the Southampton City of Opportunity Corporate Plan (2021-2025) by better protecting homes, businesses and communities from the risk of flooding and climate change, while improving longer term regeneration opportunities. |
| 39.                                  | The RIFAS will contribute towards the delivery of the Green City Plan 2030 by improving the city’s resilience against flooding, climate change and sea level rise over the next 100 years.   |

|   |   |
|---|---|
| KEY DECISION?   | Yes   |
| WARDS/ COMMUNITIES AFFECTED:  | Bevois<br>Bargate<br>Northam Estate   |
| <b>SUPPORTING DOCUMENTATION</b>   |   |
| Appendices  |   |
| 1.  | RIFAS: Supplementary Figures  |
| 2.  | RIFAS Indicative Spend Profile Proposal   |
| Documents In Members’ Rooms   |   |
| 1.  | <a href="#">Link to Southampton Coastal Flood and Erosion Risk Management Strategy</a>  |
| 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.  |   |





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This document provides some background information to the River Itchen Flood Alleviation Scheme to assist understanding of the current and future flood risk that the area faces, alongside how the scheme will benefit the area.

**Figure 1: Flood risk extent and historic photos**

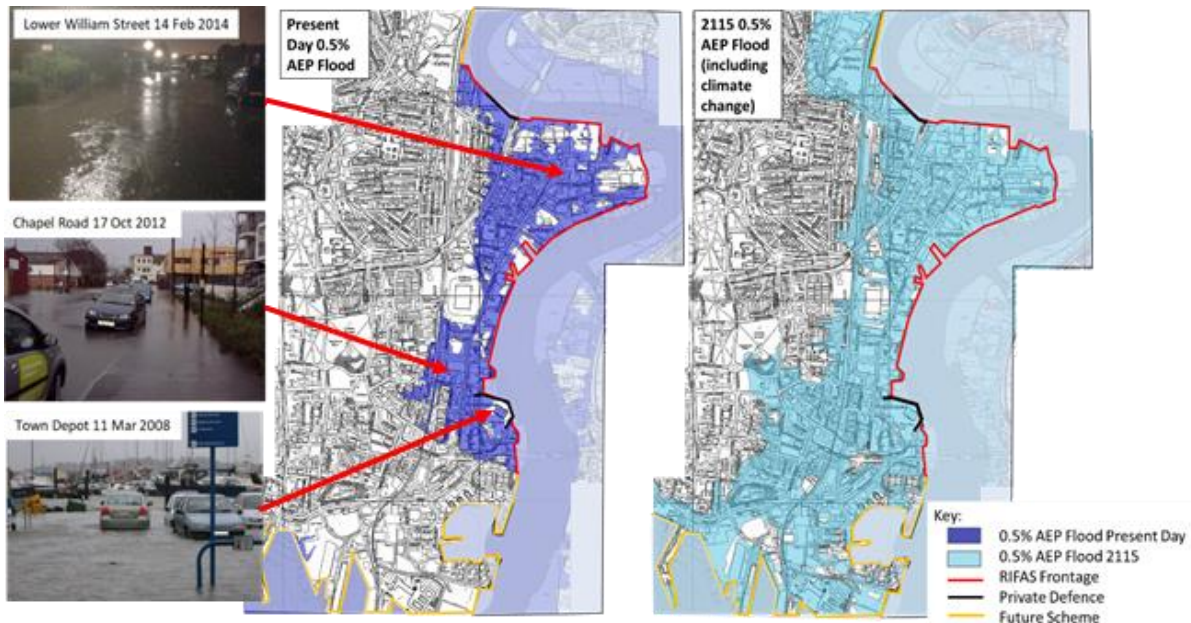
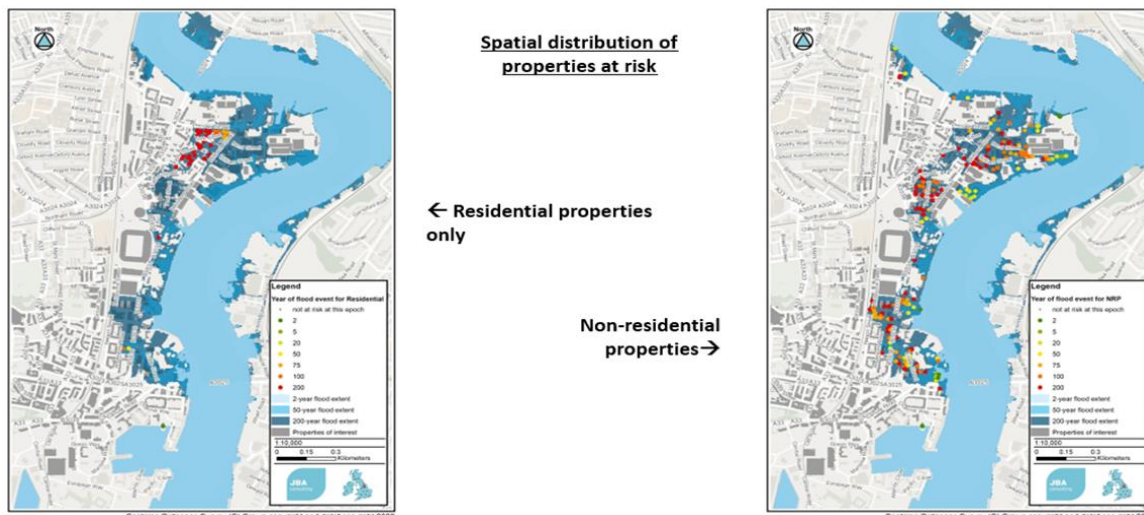


Figure 1 shows the areas (shaded dark blue) that are at risk from a present-day tidal flood event with an Annual Exceedance Probability (AEP) of 0.5%. The 0.5% AEP flood is deemed to be an ‘extreme’ flood event which could result in flood depths of between 0.3-0.6m dependent on the land level. To date, Southampton has not seen this level of flooding, however it has seen less extreme, yet sufficient to cause damage and disruption (see photos left), demonstrating the need to be proactive with flood defences.

The map on the right shows the modelled extent of tidal flood risk in 2115 as a result of climate change and sea level rise. Depths of flooding are predicted to rise to up to 1.6m in some areas. Areas that are at risk today (the dark blue), are likely to see flooding around right twice per year if no intervention takes place.

Areas to the north (Bevois Valley and St Denys) and south (Ocean Village and Mayflower Park) will need defences in future years (by 2070) that ‘tie-into’ our proposed defence, otherwise there is a risk that flood water could by-pass the new defence. These are to be considered in a separate phase, as outlined within the Southampton Coastal Flood and Erosion Risk Management Strategy (2012).

**Figure 2: Spatial distribution of residential properties at risk**



At present there are 153 homes and 288 businesses at risk of flooding. The map on the left of Figure 2 shows the position of these homes against a range of different scales of flooding. Most of these homes are located within the Northam Estate which is within the top 5 most deprived communities in Southampton, and within the top 10% most deprived in England (for employment, health and education), therefore may struggle to recover should a flood occur. The Northam Estate also carries one of the Councils largest housing stocks which could present challenges with trying to reaccommodate families and repair properties following a flood.

The map on the right shows the distribution of businesses within the present day flood risk area. Many of the businesses with access to the waterside are deemed to be 'water compatible' (using the definition from the National Planning Practice Guidance, and from engagement carried out to date) and are able to recover more quickly following flooding. Some sites have seen flooding in the past.

**Figure 3: Leading Option (Option 1 mix of frontline and setback) alignment**

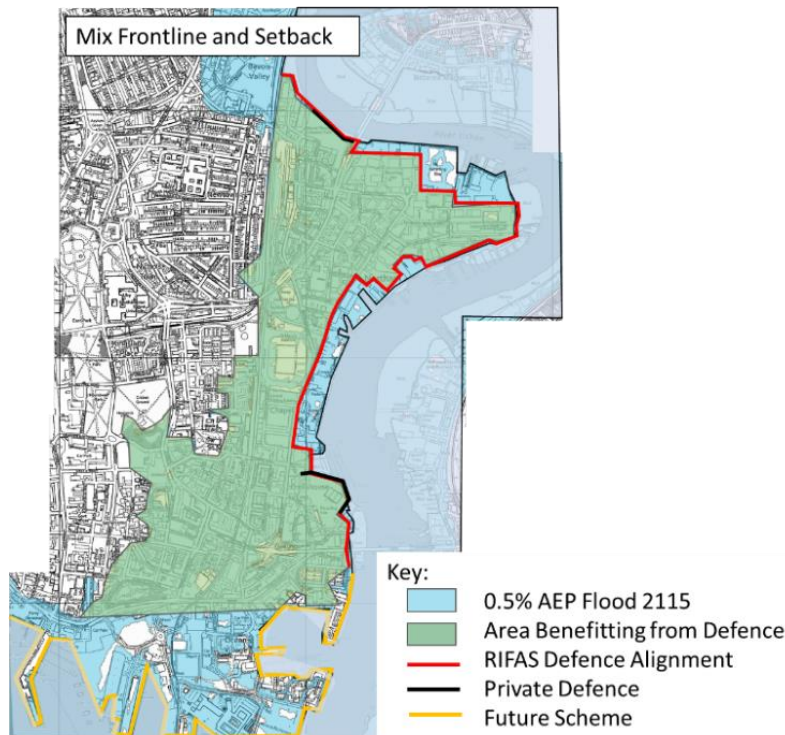
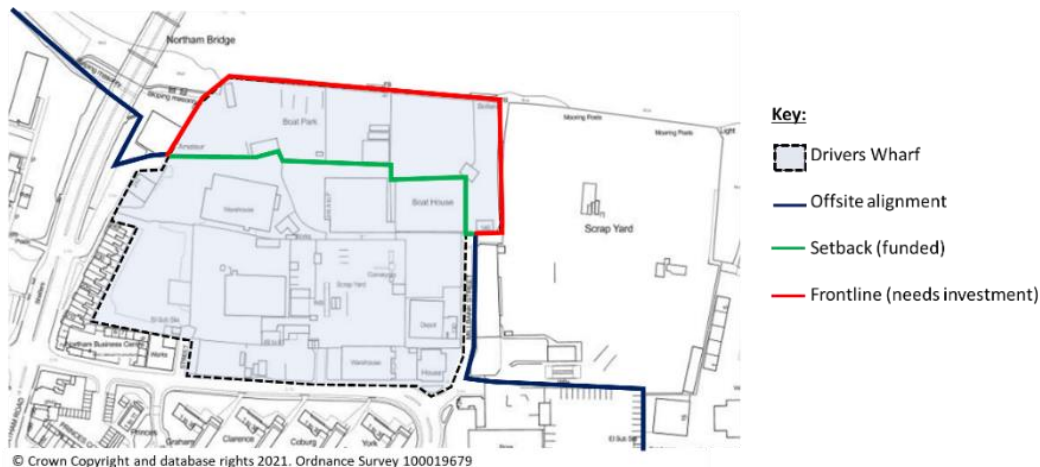


Figure 3 shows the proposed alignment for the RIFAS. The red line shows the proposed new defence, with the black showing the recently constructed developer led defences at Meridian and Chapel Riverside. The yellow line denotes future phases of the defence.

The area shaded green shows all areas that will benefit from the new flood defence. This provides a reduction in flood risk to 1167 homes and 1033 businesses at risk of flooding over the next 100 years, as well as council buildings, schools, religions buildings and critical infrastructure including the A3024 Northam Road, parts of the national railway line and electrical substations, that if flooded will cause disruption for many people outside of the immediate risk area.

By reducing the constraint of flood risk within the green area, this provides better potential for regeneration to come forward. The defence does not harm development potential of the areas remaining riverside of the defence (blue shading) as these can bring forward frontline defences in future should regeneration take place.

**Figure 4: Drivers Wharf Defence Options**



The current Local Plan indicates that Drivers Wharf is a site that holds potential for mixed use development in future. Figure 4 shows the options for the defence alignment at this site. The most economically viable defence option for this site is the setback alignment (green) which will be continued unless additional investment is made in the site to bring this to a fully frontline alignment (red).

The key consideration in the decision to alter the alignment is that just over half of the existing frontline quay wall has been assessed and is noted to be in poor condition. This means that the quay wall will need to be replaced within the next 10 years. Approximately 50% of the quay wall (west of the site, where deterioration is deemed to be more significant) is under Southampton City Council ownership. This means that the council will hold liabilities for any collapse of the quay wall that results in harm to people, property or release of contaminated land into the Itchen Estuary which is an environmentally designated Special Protection Area.

The quay wall will need to be addressed (within similar timescales for constriction of the RIFAS), therefore investing now provides opportunities to combine the replacement with construction of a frontline flood defence instead of the setback alignment.

A frontline defence may increase regeneration potential for this site as reduces the risk of flooding, however the site will remain constrained by other factors including air quality, highway capacity issues and land contamination.

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**Indicative spend profile**

| Funding (£m)            | Financial year |         |         |         |         |         |         |         | Total |
|-------------------------|----------------|---------|---------|---------|---------|---------|---------|---------|-------|
|                         | 2021/22        | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |       |
| EA Grant-in-Aid         |                | 0.75    | 1.00    | 2.00    | 5.00    | 11.50   | 10.75   | 0.50    | 31.50 |
| SCC CIL (main)          |                |         | 0.5     | 0.5     | 0.5     | 0.5     | 0.5     | 0.5     | 3     |
| SCC CIL (Drivers Wharf) |                |         |         | 3.5     | 3.7     |         |         |         | 7.2   |
| Other                   | 0.5            | 0.5     |         |         |         |         |         |         | 1     |
| <b>Total</b>            | 0.50           | 1.25    | 1.50    | 6.00    | 9.20    | 12.00   | 11.25   | 1.00    | 42.70 |

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| <b>DECISION-MAKER:</b>   | CABINET  |
| <b>SUBJECT:</b>          | APPROVAL OF THE JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY OF THE PROJECT INTEGRA PARTNERSHIP |
| <b>DATE OF DECISION:</b> | 15 NOVEMBER 2021   |
| <b>REPORT OF:</b>        | <b>COUNCILLOR HARWOOD</b><br><b>CABINET MEMBER FOR CUSTOMER SERVICE AND TRANSFORMATION</b>   |

| <b><u>CONTACT DETAILS</u></b> |                |  |                    |
|-------------------------------|----------------|--|--------------------|
| <b>Executive Director</b>     | <b>Title</b>   | Service Director, Business Development |                    |
|                               | <b>Name:</b>   | James Strachan                         | Tel: 023 80 833436 |
|                               | <b>E-mail:</b> | James.strachan@southampton.gov.uk      |                    |
| <b>Author:</b>                | <b>Title</b>   | Senior Policy and Strategy Officer     |                    |
|                               | <b>Name:</b>   | Stephen Barratt                        | Tel: 023 80 833714 |
|                               | <b>E-mail:</b> | stephen.barratt@southampton.gov.uk     |                    |

|   |   |
|---|---|
| <b>STATEMENT OF CONFIDENTIALITY</b>   |   |
| NOT APPLICABLE  |   |
| <b>BRIEF SUMMARY</b>  |   |
| <p>The collection and disposal of household waste is delivered across Hampshire by an integrated waste management system. The system’s strategic direction is coordinated by Project Integra (“PI”), a partnership of Hampshire County Council (“HCC”), its 11 districts, and unitary authorities Southampton City Council (“SCC”) and Portsmouth City Council (“PCC”). Through the adoption of the Joint Municipal Waste Management Strategy (“JMWMS”, appendix 1), PI is seeking partners’ agreement to implement ‘twin stream’ collection systems to comply with the forthcoming Environment Bill (“the Bill”). Agreement on collections by PI partners will enable disposal partners (HCC, SCC and PCC) to proceed with the corresponding disposal infrastructure projects in accordance with the timeframes set out in the Bill.</p> <p>In addition to measures affecting dry mixed recycling (“DMR”), the Bill proposes the introduction of weekly food waste collections by local authorities. The likely timeframe for SCC to begin collecting food waste for recycling is considered by this report.</p> |   |
| <b>RECOMMENDATIONS:</b>   |   |
|   | (i) That Cabinet approve the Joint Municipal Waste Management Strategy.   |
|   | (ii) That Cabinet agree with the principle of a twin-stream recycling system, rather than a kerbside sort, and delegate authority to the Service Director for Business Development, following consultation with the Cabinet Member for Customer Service and Transformation, |

|  |  |  |
|--|--|--|
|  |  | to develop a detailed plan for the implementation of a twin-stream collection service in the city.   |
| <b>REASONS FOR REPORT RECOMMENDATIONS</b>          |  |  |
| 1.   |  | Twin streaming has been modelled as suitable for all PI partners and provides the most cost-effective and environmentally beneficial way to meet the requirements of the Bill.   |
| 2.   |  | Committing to twin streaming by approving the JMWMS will enable work to progress – through tripartite disposal arrangements between HCC, SCC and PCC – on the significant infrastructure changes needed to meet the requirements of the Bill. A decision relating to the building of a new material recycling facility (“MRF”) at Chicken Hall Lane in Eastleigh is due to be brought to Cabinet in 2022.  |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b> |  |  |
| 3.   |  | Adoption of kerbside sort instead of twin streaming: Through the measures in the Bill, the Government is seeking to maximise the quality of recycling through material segregation. Its preference is for a kerbside sort system for DMR. Kerbside sort requires households to maintain a separate bin for each recyclable material. Under the current collection system, residents have three bins (residual, co-mingled DMR and glass). Kerbside sort DMR would require an <u>additional</u> three containers for residents, and significant modification to waste transfer station sites (eg, Marchwood).   |
| 4.   |  | The collection and disposal of household waste outside of Hampshire’s integrated waste management system: This decision would require SCC to end its contractual relationship with HCC and PCC in relation to disposal, and to leave PI. SCC has rights and liabilities under the disposal contract between HCC and Veolia with respect to its administrative area, including ownership of capital assets worth over £9m. This contract ends in 2030. This report has not considered whether early termination is provided for by the relevant contracts. This notwithstanding, it is submitted that leaving should not be considered a viable option at the present time because of the significant strategic and costs advantages participation in the integrated waste management system affords SCC. |
| <b>DETAIL (Including consultation carried out)</b> |  |  |
| 5.   |  | PI is managed by a joint committee known as the Project Integra Strategic Board (“the Board”). The Board is comprised of one Member appointed by each partner authority and one co-opted Member representing Veolia. The partnership’s constitution requires the Board to develop a strategic framework (the JMWMS) within which the partner authorities can discharge their functions. Waste management measures in the Bill – comprising the first significant changes to the regulatory landscape for waste in over a decade – have required the JMWMS to be updated for the first time since 2012. As the Board has no power to make decisions on behalf of its members, decisions to carry the JMWMS into effect will fall to SCC’s executive.  |
| 6.   |  | The Bill sets out the legislative framework that will enable Government to establish post-Brexit governance arrangements for environmental matters and implement the Resources and Waste Strategy for England (2018), delivering on the ambition of the 25-year Environment Plan to protect and enhance the  |

|     |  |
|-----|--|
|     | environment. The Bill has recently passed through third reading in both houses, with amendments now under consideration by the House of Commons.   |
| 7.  | <p>The key aim of the Bill's consistency in recycling collections measures is to ensure a consistent range of material is collected for recycling at the kerbside across England, increasing the rate of recycling and maximising material quality. Based on information gathered from the most recent Government consultations, the following DMR materials will need to be collected from 2023/24 (subject to transitional implementation):</p> <ol style="list-style-type: none"> <li>a. cardboard;</li> <li>b. paper;</li> <li>c. aluminium and steel cans;</li> <li>d. plastic bottles;</li> <li>e. pots, tubs and trays ("PTTs");</li> <li>f. cartons;</li> <li>g. glass; and,</li> <li>h. plastic film (from 2026/27).</li> </ol>   |
| 8.  | <p>The Hampshire integrated waste system does not currently provide for the collection of (e), (f) or (h). Accordingly, new materials recycling facility ("MRF") infrastructure will need to be built (existing MRFs at Alton and Portsmouth are not capable of processing PTTs, plastic films, cartons or glass). The adoption of a twin-stream system for this set of DMR materials imposes further specific new infrastructure requirements, affecting MRFs, transfer stations and collection fleets. Additional depot capacity for the storage of vehicles and containers may be required.</p>   |
| 9.  | <p>A twin-stream system maintains the existing number of containers for DMR (two), but the containers will be used for a different mix of recycling. Glass, cartons, plastics, tin cans and aerosols would go into the existing, blue-lidded recycling bin, with paper and cardboard (fibres) in a separate bin (this is represented visually in appendix 2). Modelling work by Wood Consultants on behalf of PI considered how the introduction of different DMR collection systems would affect the performance, costs and carbon output both of individual authorities and the integrated Hampshire waste system as a whole. It concluded that a twin-stream DMR collection was the best solution as it would lead to a significant increase in recycling performance, and a reduction in carbon emissions equivalent to the kerbside sort option but with lower total costs. Notwithstanding the Government's preference for Kerbside sort, twin-streaming will meet the requirements of the Bill as a solution which is technically and economically practicable.</p> |
| 10. | <p>The Government will expect local authorities with long-term waste disposal contracts to begin collecting food waste as soon as contracts allow from 2023/24. In its most recent consultation, the Government anticipates setting a date between 2024/25 and 2030/31 as a final deadline. In practice, the timeframe for SCC to start collecting food waste will be determined by the timeframe in which the disposal contractor (Veolia) can provide food waste treatment capacity (anaerobic digestion) and relevant upgrades to transfer station infrastructure for the Hampshire integrated waste system. To collect food waste, SCC will be required to:</p> <ol style="list-style-type: none"> <li>a. procure a new fleet of specialised food waste collection vehicles;</li> <li>b. supply a 'kitchen caddy' (internal container) and an external container to households; and,</li> </ol>  |

|   |  |
|---|--|
|   | c. develop and implement a communications plan for the new service.  |
| <b>RESOURCE IMPLICATIONS</b>  |  |
| <b><u>Capital/Revenue</u></b>                                       |  |
| 11.   | There are no direct financial implications of adopting the recommendations in the report at this stage. The approval of the JMWMS is a commitment to achieve a set of high-level strategic priorities, driven by the Bill. It is anticipated that changes to the way waste is collected following the enactment of the Bill will require additional capital investment and potentially incur ongoing revenue costs. These are not yet known as they are dependent on the final outcomes of the Bill. Consultations indicate that there will be some New Burdens funding for local authorities to meet these costs, although there are no details on how this will work and there is a possibility that some costs may have to be met by the local authorities themselves. This includes a potential requirement to co-fund the building of a new twin-stream MRF at Chicken Hall Lane in Eastleigh in accordance with the tripartite cost-sharing arrangements between SCC, HCC and PCC. It is estimated that the SCC share could be around £3M. This is currently not included in the existing SCC capital programme so consideration of this project will need to be brought into the current round of business planning and a decision will be brought to Cabinet in due course following the completion of a full business case. |
| <b><u>Property/Other</u></b>  |  |
| 12.   | The recommendations in this report have no direct property implications for the reasons set out in paragraph 11. In relation to the separate weekly collection of food waste by SCC, it is anticipated that additional depot capacity may be required to accommodate a fleet of food-waste collection vehicles.  |
| <b>LEGAL IMPLICATIONS</b>   |  |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |  |
| 13.   | Duties arising from the Environmental Protection Act 1990, as amended (“EPA 1990”), in particular ss 45, 45A & 51 (relating to the collection and disposal of household waste and recycling) and reg 12 of the Waste (England and Wales) Regulations 2011, as amended.   |
| 14.   | The Bill intends for s 45A of the EPA 1990 (requiring the collection of at least two types of recyclable waste together or individually separated from the rest of the household waste) to be amended to require the consistent collection of a wider range of materials by local authorities, including the collection of food waste at least once a week.  |
| <b><u>Other Legal Implications:</u></b>                             |  |
| 15.   | In exercising its duties, regard will be paid to the SCC’s obligations pursuant to the Equality Act 2010, in particular, the Public Sector Equality Duty (‘PSED’) set out in s 149 of the Act. A detailed Equality and Safety Impact Assessment has been carried out supporting the proposed strategic changes (appendix 3).   |
| <b>RISK MANAGEMENT IMPLICATIONS</b>                                 |  |
| 16.   | In practice, the JMWMS must be approved by all PI partners to enable Hampshire’s integrated waste management system to be developed to meet the requirements of the Bill. To mitigate the risk of a partner failing to approve   |

|                                      |   |
|--------------------------------------|---|
|                                      | the JMWMS, the principles of the strategy were agreed by partners at a meeting of the Board on 30 July 2021.  |
| <b>POLICY FRAMEWORK IMPLICATIONS</b> |   |
| 17.                                  | In implementing the JMWMS, SCC will consider and act fully and wholly in accordance with relevant Policy Framework Plans, in particular the Local Development Framework and Local Area Action Plans and the Sustainable Community Strategy. |

|                                    |  |
|------------------------------------|--|
| <b>KEY DECISION?</b>               | <b>Yes</b>                                 |
| <b>WARDS/COMMUNITIES AFFECTED:</b> | ALL  |
| <u>SUPPORTING DOCUMENTATION</u>    |  |
| <b>Appendices</b>                  |  |
| 1.                                 | Joint Municipal Waste Management Strategy. |
| 2.                                 | Current collections vs twin streaming.     |

**Documents In Members' Rooms**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Equality Impact Assessment**

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

**Data Protection Impact Assessment**

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

**Other Background Documents**

**Other Background documents available for inspection at:**

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

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### Joint Municipal Waste Management Strategy



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## Report for

Project Integra

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## Management systems

This document has been produced by Wood Group UK Limited in full compliance with our management systems, which have been certified to ISO 9001, ISO 14001 and ISO 45001 by Lloyd's Register.

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## Document revisions

| No. | Details                     | Date         |
|-----|-----------------------------|--------------|
| V1  | First draft                 | 15 July 2021 |
| V2  | Second draft                | 21 July 2021 |
| V3  | Third draft                 | 27 July 2021 |
| V4  | Draft for release to client | 29 July 2021 |
| V5  | Final Draft                 | 23 Aug 2021  |



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# 1. Introduction to Project Integra

Project Integra (PI) is a partnership in Hampshire consisting of Hampshire County Council as a waste disposal authority, 11 waste collection authorities and two unitary authorities, all providing a variety of collection services but based on a core theme of the comingled collection of dry recyclable material. The two unitary authorities, Portsmouth City Council and Southampton City Council also act as Waste Disposal Authorities. The Local Authorities that make up PI are:

- Basingstoke & Deane Borough Council (BDBC)
- East Hampshire District Council (EHDC)
- Eastleigh Borough Council (EBC)
- Fareham Borough Council (FBC)
- Gosport Borough Council (GBC)
- Hampshire County Council (HCC)
- Hart District Council (HDC)
- Havant Borough Council (HBC)
- New Forest District Council (NFDC)
- Portsmouth City Council (PCC)
- Rushmoor Borough Council (RBC)
- Southampton City Council (SCC)
- Test Valley Borough Council (TVBC)
- Winchester City Council (WCC)

In 1997 Hampshire County Council entered into a waste disposal service contract (now extended to 2030) which was awarded to Veolia UK. Portsmouth City Council and Southampton City Council became co-signatories to the contract after their formation as unitary authorities. Prior to the commencement of the contract, all 14 waste authorities of Hampshire (Disposal and Collection), along with Veolia Hampshire, became members of PI. The Partnership agreement sets out the principles of PI and the roles and responsibilities of the partnership authorities.

The work of PI is guided by three objectives:

- Customer focus
- Value for money
- Sustainability

Hampshire has been widely acknowledged for its partnership working on waste, its impressive integrated waste management facilities, relatively high performance and contribution to shifting fundamental thinking from waste to resource management, however in recent years performance levels have failed to keep up with those of the best performing authorities in England - this is a situation that the Partnership is determined to change.

## 1.1 Working Groups

The Partnership works to influence national policies, secure external funding, and promote sustainability, with a core aim being to communicate effectively to both the public and the businesses communities. Our strategy officer group is made up of officers from each partner authority and PI. Similarly, our strategic board is made up of officers and elected members from each partner authority.

There are a number of existing working groups within the Partnership, although additional groups are created to target specific issues when identified:

- The Resource Aware Group (RAG); deliver consistent, effective waste management communications and performance improvement across Hampshire.
- Operations; meet to discuss operational issues and programmes of work.
- Waste technical group; meet to discuss the materials analysis facility sampling programme and contamination.
- The Common Approach to Safety and Health (CASH); supported by PI and considers health and safety best practice and guidance aligned to waste and other environmental services.
- Fly-tipping Strategy; sits under PI for governance and information purposes

## 1.2 Our Vision

In support of the 14 waste authorities in Hampshire delivering its vision, the Partnership refreshed its 2006 Joint Municipal Waste Management Strategy (JMWMS) in 2012 with a vision to *manage the effectiveness of its sustainable material resources system to maximise efficient re-use and recycling of material resources and minimise the need for disposal in accordance with the national waste hierarchy*. It is recognised that the legislative and budgetary environment has significantly changed since the refresh of the JMWMS and that an update is required to take into account competing pressures on all partnership authorities within Hampshire, and to consolidate an agreed path for service consistency and best value in waste service delivery for the county as a whole, based on agreed priorities.

This updated JMWMS will be reviewed by the Partnership every three years, and the vision for Hampshire is:

*"The Project Integra partners will work together to deliver high performing, forward looking recycling and waste management services which provide value for money for Hampshire taxpayers meeting local needs and recognising the climate emergency and need for a reduction in carbon emissions."*

## 1.3 Joint Municipal Waste Management Strategy - Principles

The revised Waste Framework Directive (2008/98/EC) sets out the waste hierarchy which ranks waste management options according to what is best for the environment. Waste management in the UK is based on the principles of the waste hierarchy, which dictates that waste prevention is the most desirable outcome followed by reducing, reusing and then recycling resources before the worst-case option of disposal. Our JMWMS has always aimed to deliver engagement, education and raise awareness of waste management within the community to drive material up the waste hierarchy.



The Government's documents "Resources and waste strategy – Our Waste, our resources: A Strategy for England" (December 2018) and "Waste Prevention Programme for England: Towards a Resource Efficient Economy (March 2021)" set out priorities for action to manage resources and waste in accordance with the waste hierarchy and to focus increased efforts towards those steps at the top of hierarchy. This JMWMS is aligned to the requirements of these documents.

Operating our waste management services comes at a substantial cost. With budgetary constraints and legislative pressures it is important to maximise value for money as an overarching Partnership principle. Striving for improved performance through waste prevention in the first instance, followed by recycling, is resultantly the best option both financially and environmentally. By following this principle the Partnership and the wider community can contribute to and help ensure value for money is realised in the services delivered.

Besides public engagement the JMWMS aims to deliver waste collection, treatment and disposal solutions while minimising the environmental impacts. In addition to the waste hierarchy, the partnership also acknowledges the proximity principle that describes a need for materials to be handled, treated, and disposed of as near as possible to its place of consumption.

## 2. Performance and Service Delivery

Waste management in Hampshire has seen significant change since 2000 as illustrated in Figure 2-1. The landfilling of waste has continuously decreased, markedly between 2003/04 and 2005/06 when residual waste began to be treated within Energy from Waste (EfW) facilities.

The total amount of generated waste in Hampshire has also reduced since a peak in 2005/06 of around 850,000 tonnes per annum to approximately 750,000 tonnes per annum in 2019/20, with a waste collection yield of 428.9 kg/person/year<sup>1</sup>.

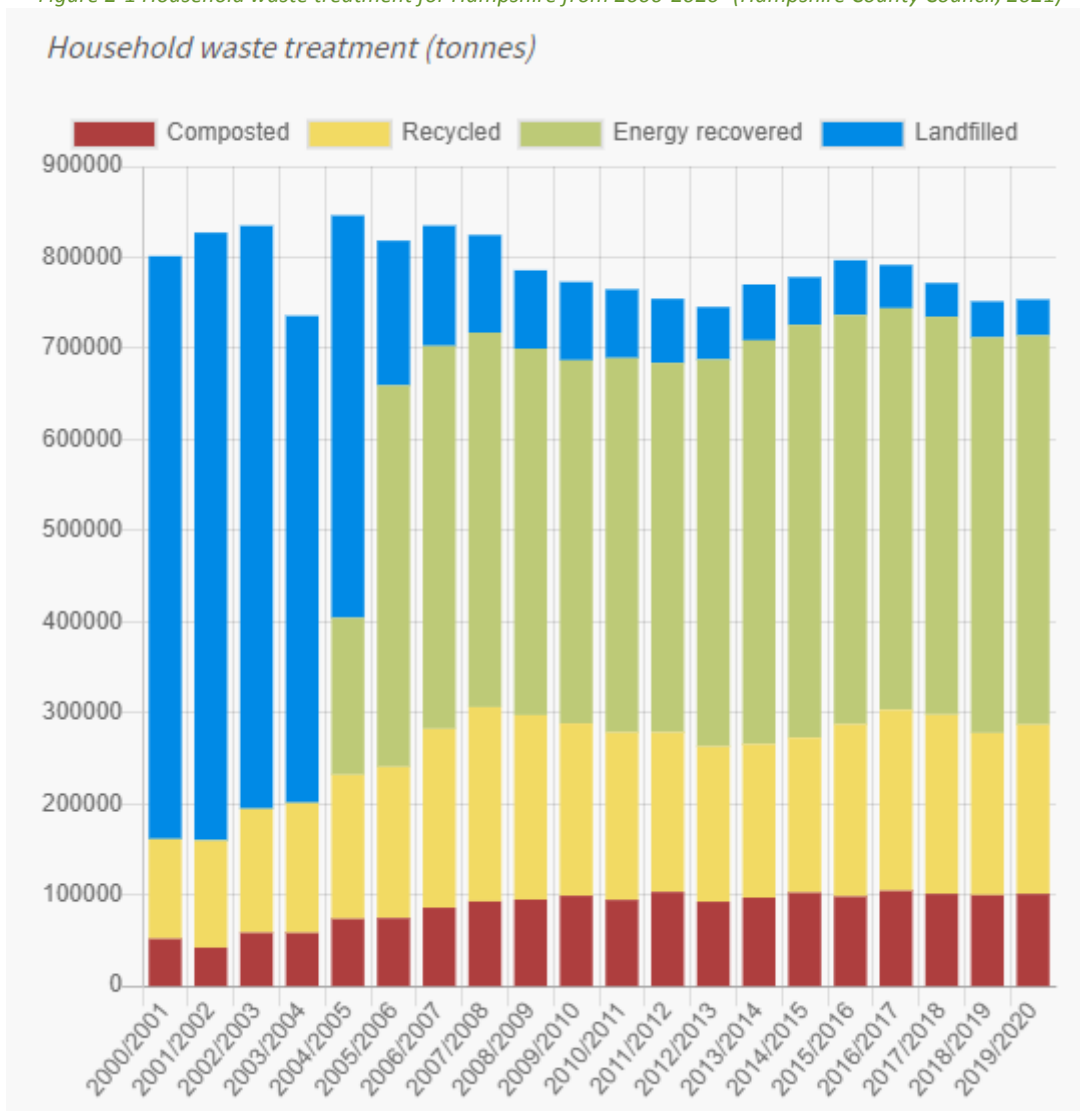
In 2019/20 Hampshire's recycling rate was 41.7% (across all recycling services, including HWRCs). The highest performing Partner had a recycling rate of 41.3%, with the lowest performing Partner having a recycling rate of 24.8%. Overall, the County sits within the lower half of the English local authority recycling performance league table, with the majority of partners sitting in the lower quartile. The recycling, reuse and composting rate has increased over time but has plateaued over 2018/19 and 2019/20. The level of performance being achieved has resulted in pressure being exerted on some Partner authorities by the Secretary of State to make improvements.

Contamination monitoring across the MRFs showed that the average comingled dry recycling contamination level was 15.9% in 2019/20 (an increase from 13.75% in 2018/19). However, the capture of comingled dry recycling has also slightly increased over this time period. Reducing contamination will continue to be a key focus going forward.

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<sup>1</sup> <https://www.letsrecycle.com/councils/league-tables/2019-20-overall-performance/>

Figure 2-1 Household waste treatment for Hampshire from 2000-2020<sup>2</sup> (Hampshire County Council, 2021)



The Partnership is committed to improving performance to consistently high levels across Hampshire, Portsmouth and Southampton, to optimise costs and to achieve this while working to high and consistent levels of public satisfaction. This will be supported through regular and consistent service review, analysis and measurement to enable progress against targets to be tracked and further actions to be identified.

## 2.1 Current services

The waste collection systems in Hampshire vary between the partner authorities. However, all households receive a kerbside collection for dry mixed recyclables (paper & card, plastic bottles, cans, tins and aerosol cans). Garden waste collections are offered through chargeable, opt-in services and many households receive glass collections. Residual waste, comingled dry recycling (excluding glass), and separate glass is collected using different containers and on differing frequencies, as detailed in Table 2-1.

<sup>2</sup> <https://www.hants.gov.uk/wasteandrecycling/projectintegra/performance>

Table 2-1 2021 collection of MSW by the partnership authorities, Weekly: Collected weekly, Fortnightly: Collection every second week, AWC: Alternate Weekly Collection of Residual waste and Dry recycling, and 4-weekly: Collection every fourth week.

| Partner | Residual waste | Dry recycling (ex. glass) | Glass                               | Food Waste      |
|---------|----------------|---------------------------|-------------------------------------|-----------------|
| BDBC    | Weekly         | Fortnightly               | Collected with dry recycling in box | n/a             |
| HDC     | Fortnightly    | Fortnightly               | Collected with dry recycling in box | n/a             |
| SCC     | AWC            | AWC                       | Fortnightly                         | n/a             |
| RBC     | Weekly         | Fortnightly               | Collected with dry recycling in box | Weekly from Oct |
| EHDC    | Fortnightly    | Fortnightly               | 4-weekly                            | n/a             |
| HBC     | Fortnightly    | Fortnightly               | n/a                                 | n/a             |
| WCC     | AWC            | AWC                       | 4-weekly                            | n/a             |
| EBC     | AWC            | AWC                       | Fortnightly                         | Weekly          |
| PCC     | Weekly         | Fortnightly               | n/a                                 | Weekly          |
| FBC     | AWC            | AWC                       | n/a                                 | n/a             |
| GBC     | AWC            | AWC                       | n/a                                 | n/a             |
| NFDC    | Weekly         | Weekly                    | 4-weekly                            | n/a             |
| TVBC    | AWC            | AWC                       | n/a                                 | n/a             |

## 2.2 Infrastructure

Hampshire County Council has, in conjunction with the City Councils of Portsmouth and Southampton, entered a waste disposal service contract (now extended to 2030) with Veolia UK. The joint working arrangements put in place through the PI partnership have enabled the Councils to include recycling infrastructure within the remit of the contract. Investment has been made across a suite of waste management infrastructure solutions:

- Three Energy Recovery Facilities (ERFs);
- Two Material Recovery Facilities (MRFs);
- Two Composting Facilities;
- 26 Household Waste Recycling Centres (HWRCs); and
- 12 Transfer Stations.

Infrastructure requirements are being considered in light of the anticipated requirements of the Resources and Waste Strategy, and the changes in services that will be required. This is particularly relevant to the provision of MRFs, which will require reconfiguration or redevelopment should services transition to a two-stream collection of dry recycle.



## 3. Policy and legislative drivers

This section summarises the key international, national and local legislation and drivers which impact upon the structure of this waste strategy.

### 3.1 International and National Policy & Legislation

Many of the roots of UK legislation governing the management of waste in this country can be traced back to European Union (EU) Directives, Regulations and Decisions. These are being retained in UK law through the European Union Withdrawal Act 2018 with minimal impact anticipated on how councils collect, recycle and dispose of household waste.

#### Circular Economy

A circular economy approach sees waste turned into a resource as part of 'closing the loop' with resources kept in use for as long as possible, with the maximum value extracted from them. It moves away from the more linear economy of 'take, make, use, throw' and prolongs the lives of materials and goods consumed, minimising waste and promoting resource efficiency.

In July 2018, the European Commission adopted an ambitious Circular Economy Package (CEP) introducing a revised legislative framework to help stimulate Europe's transition towards a circular economy, identifying steps for the reduction of waste and establishing an ambitious and credible long-term path for waste management and recycling. The UK government have transposed the majority of CEP measures into UK legislation to include a recycling target of 65% by 2035 and reduce landfilled municipal waste to 10% by 2035.

#### ***A Green Future: Our 25 Year Plan to Improve the Environment (policy paper) January 2018***

This 25 Year Environment Plan sets out Government action to help improve the environment by delivering cleaner air and water, protecting threatened species and wildlife habitats and plans for changes to agriculture, forestry, land use and fishing to put the environment first. The Environment Plan aims to minimise waste, particularly plastic waste, and sets out the following actions for minimising waste:

- An ambition to achieve zero avoidable<sup>3</sup> waste by 2050;
- A target to eliminate avoidable plastic waste by the end of 2042;
- Meeting all existing waste targets – including those on landfill, reuse and recycling – and developing ambitious new future targets and milestones;
- Seeking to eliminate waste crime and illegal waste sites over the lifetime of the Plan, prioritising those of highest risk. Delivering a substantial reduction in litter and littering; and
- Significantly reducing and where possible preventing all kinds of marine plastic pollution – in particular, material that came originally from land.

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<sup>3</sup> Avoidable in the sense of what is Technically, Environmentally and Economically Practicable.

### ***Our waste, our resources: a strategy for England (Draft), December 2018***

The Strategy gives a long-term policy direction in line with the 25 Year Environment Plan and has two overarching objectives:

1. To maximise the value of resource use; and
2. To minimise waste and its impact on the environment,

It sets out plans to preserve stock of material resources by minimising waste, promoting resource efficiency and moving towards a circular economy. The five strategic ambitions of the Strategy are:

1. To work towards all plastic packaging placed on the market being recyclable, reusable or compostable by 2025;
2. To work towards eliminating food waste to landfill by 2030;
3. To eliminate avoidable plastic waste over the lifetime of the 25 Year Environment Plan;
4. To double resource productivity by 2050; and
5. To eliminate avoidable waste of all kinds by 2050.

The Strategy also aims to minimise the damage caused to our natural environment by reducing and managing waste safely and carefully, and by tackling waste crime.

### **Environment Bill 2020**

The draft Environment Bill (2020) is a key piece of legislation for delivering the commitments made in the 25 Year Environment Plan and for setting long-term legally binding environmental targets, plans and polices for protecting and improving the natural environment in the UK. It is part of the UK Government's goal to develop the first generation to "leave our environment in a better state than we found it". The Bill will take forward and legislate the measures and proposals outlined in England's draft Resource and Waste Management Strategy, changing the way government, businesses and individuals produce and consume products. The national Strategy and Environment Bill aims to make it easier for people to recycle, improve recycle quality and make way for a more circular economy. The Bill will allow the Government to:

- deliver consistent and frequent recycling collections across England;
- ensure councils operate weekly separate food waste collections, preventing food waste from going to landfill or being incinerated;
- introduce clearer labelling on certain products so consumers can easily identify whether products are recyclable or not;
- expand the use of charges on single use plastics, following the successful introduction of the carrier bag charge and will introduce a deposit return scheme on drinks containers, subject to consultation; and
- introduce new extended producer responsibility schemes to make producers responsible for the full net costs of managing their products when they are ready to be thrown away.

The Bill is supported by a series of proposals, with several relevant to waste management. The second consultation started in April 2021 and at the time of writing this JMWMS the process is still ongoing. Aspects of waste management under consideration by the Government include:

### Consistency of Household and Business Recycling Collections in England

The Government will specify a core set of materials to be collected by all local authorities and waste operators to make services more consistent across the country.

The proposals in the Resource and Waste Strategy around food waste collections is yet to be finalised, but it is likely that separate, weekly food waste collections for all households will be a requirement. Therefore, PI partners need to consider this as a likely service requirement in the coming years, both from a collections and treatment perspective. It is anticipated to be a costly service to implement, and the Strategy consultation has suggested that 'new burdens' funding may be made available by the Government, however currently this is not confirmed, and details of any funding requirements have not been published.

The Bill states that for households, each recycling stream must be collected separately from other waste and that recyclable waste must be collected for recycling or composting and separately from each other, where it is technically, environmentally and economically practicable (TEEP) to do so.

### Extended Producer Responsibility (EPR) for packaging

The Government intends to invoke the 'polluter pays' principle with an EPR scheme for packaging by 2023. Producer responsibility will see businesses that manufacture, import and sell certain products responsible for the full net costs of those products at end of life, i.e. post-use stage, driving sustainable design decisions to be incorporated at the production stage in support of a more circular economy.

Payment contributions to local authorities for household packaging wastes is to be based initially on complex modelling taking account of issues such as rurality, housing type, deprivation and other criteria, but in the longer term the government intend for this to be based on actual costs incurred. The payment mechanism and process for distribution of funds to local authorities is still not clear.

### Introducing a Deposit Return Scheme (DRS)

To incentivise consumers to reduce litter and increase recycling the government are consulting on introducing a DRS whereby consumers pay a deposit on drinks beverage containers at the point of purchase, which is then redeemed when the container is returned to the retailer for recycling. The government are currently considering a DRS that includes aluminium and steel cans, PET plastic and glass bottles but excludes disposable cups, cartons and pouches/sachets.

## 3.2 Drivers for Change

### National Policy

The Partnership must ensure that all waste collection and management services are aligned to national policies, plans and strategies, including those outlined above. Once the proposal consultations are complete and the Government has provided its direction, we will need to carefully consider this and as a consequence may have to change some of direction expressed in this waste management strategy. The Partnership needs to retain flexibility in future service provision to enable the implementation of any required changes.

### Budgetary pressures

This is a time of significant change for local authorities, brought about by pressures to make efficiencies and savings through greater collaboration and sharing services across authorities and with other public sector organisations. There have been significant impacts upon material income in the past 10 years due to a global reduction in the value of recyclable materials. This means that there is decreasing funding available to reinvest into waste services.

## Climate Change and Carbon Impacts

Most of the partner authorities have declared a Climate Emergency, and their climate change strategies recognise the role of waste and the circular economy in supporting the reduction of carbon emissions, with a focus on waste reduction. Out of the 14 Partner authorities, seven aim to be carbon neutral or to meet net zero emissions across operations by 2030. Four Partner authorities have committed to become carbon neutral by either 2040 or 2050. The remaining three Partner authorities have not set or published their goals to be attained by a specific date.

## Investment in Infrastructure

The waste management, treatment and disposal contract will come to an end in 2030. Before this, a review will need to be undertaken to determine the most appropriate long-term arrangements for service provision, which will be within the duration of this JMWMS.

With recycling performance for all Partner authorities sitting within the lower half of the national league table, the Council's existing contract coming into the final nine years of its life, and with anticipated changes in recycling and waste management legislation happening in the coming years, now is the time for all of the authorities to agree on the future state of recycling and waste services to best service the county through provision of improved performance, value for money services, and future compliance.

Investment decisions will be based on identifying the most appropriate waste management solution for Hampshire to provide value for money as well as compliance with future legislation.

## Summary

This JMWMS takes into account the changing legislative landscape, and specifically the potential impacts from future progress of the Environment Bill and policy consultation in 2021. There is a keen focus on the identification of an optimal solution for waste management which results in meeting legislative requirements and delivers best value financially for all of the partnering authorities.

Pressure to reduce environmental impact, continuing budgetary pressure, and changes in the legislative landscape will necessitate change in the way services are delivered to residents. As a result, we must make some tough decisions; the competing requirements of budgetary pressures, a requirement to improve performance, and the need to align with legislative requirements mean that now is the right time to fully understand what an optimal system looks like.

By working together, the Partnership may be able to obtain better prices for commodities and ensure that our purchases of waste service resources (vehicles, bins, boxes etc.) meet best value requirements through gaining volume discounts.

## 4. JMWMS Key Objectives

The shortlist subjects are the main key objectives which will be delivered under the JMWMS. There are a number of other areas which are central to the strategy and cut across all objectives that will be taken forward. Service provision will continue to be delivered by PI which as mentioned has resulted in a number of benefits and synergies to date. Local decision making however will continue to be maintained across the Partnership to ensure local factors, budgets and challenges are taken into account within any decision making to ensure the approach is best suited for all partners.

A joint technically, environmentally, economically and practicable (TEEP) approach was seen as an important principle across partners going forward and we will look to ensure a collaborative effort is made with the waste collection service and compliance with the regulations.

### 4.1 Partnership Working

The following subjects form part of the partnership working theme. The existing partnership works to provide an integrated approach to waste management across Hampshire and has been beneficial for several reasons since its inception. To deliver the requirements of this JMWMS a framework will be developed to ensure partnership working is enhanced going forward, especially during the period of change likely to be encountered following the national Resources and Waste Strategy mandates. Partnership working will need to be supported and committed to by all PI partners with joint working across the county to deliver services in the most efficient and effective way.

#### Whole system thinking at PI level

Whole system thinking is a key priority for Members and is an objective which cuts across all of the shortlisted subjects. Whole system thinking at the PI level will allow the most effective and efficient waste management system to be delivered by understanding how changes made by individual members of the partnership impact on the system as a whole both in terms of cost and tonnages. Oversight of services and an ability to facilitate services from waste generation to waste disposal has and will continue to benefit all stakeholders within Hampshire. The HCC waste prevention and recycling webpages provide information on *Smart living* and *Hampshire Recycles* initiatives, both providing resources for all partners to make use of in a consistent manner. With future legislation changes likely to impact services across the county, an integrated approach and whole system thinking will ensure all potential scenarios are considered and the best outcomes at the local level are derived. This will include consideration of food waste treatment across the county, as well as the HWRC operations and network.

#### Development of and commitment towards revised JMWMS Implementation Plan

This option is a key priority for Members as engagement by and commitment from all stakeholders will be central to implementing the JMWMS aims and objectives. An implementation plan with clear actions will be developed by a joint PI working group, along with responsibilities assigned to stakeholders to ensure objectives can be met. Local variations will be captured and considered in the plan as it is understood not all stakeholders will be able to follow the same approach in all instances. A clear consensus is required by all stakeholders with collaboration, regular engagement and decision making necessary to ensure the implementation plan is realistic and achievable. All PI partners will engage with and show full commitment to the JMWMS and the implementation plan to ensure their opinions are considered and the plan is fully inclusive. PI will be central to facilitating this approach and behaviours through delivery.

## Setting agreed performance indicators and targets

Improving service performance will continue to be at the forefront of the JMWMS. Performance indicators and target setting for the waste management systems will continue to be measured and compared against the three now defunct, but still relevant, National Indicators.

For all authorities:

- NI 191 – KG of residual waste per household
- NI 192 – percentage of household waste reused, recycled and composted

For authorities with responsibility for waste disposal:

- NI 193 – percentage of municipal waste sent to landfill.

There are however a number of other performance indicators that will be used to ensure the performance of the service is at the expected quality across the county and that performance improvements are being duly made. National targets include a recycling target of 65% by 2035 and to reduce landfilled municipal waste to 10% by 2035. Performance indicators therefore need to be cognisant of these targets to ensure the Partnership is helping contribute to the wider national aims, whilst being reflective of the local challenges the county faces. Contamination of recyclable material is a key measure of performance for PI partners. Waste prevention and contamination with a focus on reuse and quality recycling respectively will be important in performance context going forward and these will be discussed and agreed with stakeholders before any decisions are made as part of the partnership working approach.

A performance monitoring regime will be developed and agreed by all PI partners to track improvements made against each performance indicator.

## Revision to PI funding arrangements

It is recognised that improved joint working arrangements will support meeting national strategy and consistency framework requirements. Funding arrangements need to drive the right performance behaviours and the right approach with whole system thinking and be reflective of the performance of partners as well as the local challenges encountered across the county. The arrangement will fund consistent initiatives and be structured to incentivise and support positive waste management practices.

There is an aspiration that services delivered across the county going forward will be more in line and representative of PI aims and objectives once the funding arrangements have been revised and stakeholders recognise the benefits from better partnership working. One of the Partnerships main objectives is for all partners to achieve value for money; as a group we will consider and implement the best approach that will enable this.

This JMWMS does not commit Partners to a particular funding arrangement, this will be discussed and agreed through the work being undertaken on a revised Partnership Agreement. Instead, this strategy recognises the need to revise the current arrangements to ensure they are fair and all parties are incentivised to improve performance in light of the governments legislative changes, particularly Extended Producer Responsibility and the associated funding.

## Identification of external funding opportunities

The identification of external funding opportunities is of critical importance to waste management services as it allows projects and initiatives to be developed and supported. An example initiative focused on supporting resource efficiency projects with the goal of diverting waste, reducing waste, and improving waste management was the Resource Action Fund. Funded by Defra, this provided £18 million for new projects in England, with the primary focus of supporting key policy outcomes in the area of food, plastics, textiles,

recycling infrastructure and litter. Funding was divided into small-scale and large-scale grants; small-scale grants covered food waste prevention, textile recycling and re-use, litter bin infrastructure, and value from food waste among other projects. Large-scale grants focused on plastic packaging and food waste prevention. As the focus on circular economy becomes more central, it is these types of funding opportunities that support PI services.

The Government has intimated that new burden funding will be provided for new services that will be mandated within the Resources and Waste Strategy. By working together as PI, all partners will have greater visibility of such funding and we will be able to maximise the chances of successfully meeting any funding criteria.

## 4.2 Recyclable Material Management

How PI manages recyclable materials is of great importance given the priority material quality is given in the Resources and Waste Strategy. The Partnership needs to ensure efforts are focused on improving the quality as well as quantity of the recyclables collected and reprocessed across the county. With recycling performance for all Partner authorities sitting within the lower half of the national league table, the Council's existing contract with Veolia coming into the final nine years of its life, and with anticipated changes in recycling and waste management legislation happening in the coming years, now is the time for effective change and for all of the authorities to agree on the future state of recycling and waste services to best service the county through provision of improved performance, value for money services, and future compliance.

### Introduction of two stream collections

This is a key priority for members. A WRAP study was undertaken in 2020/21 supporting PI in identifying an optimal collection option, reviewing options for waste management based on two-stream and multi-stream (kerbsort) collections. The outcomes have allowed PI to plan for the implementation of a waste management solution for Hampshire that meets national and local recycling aspirations at the lowest overall cost. The modelling of a two-stream approach showed a potential recycling rate of 37.4%, compared to the current baseline rate of 24%. The two-stream dry recycling collection will consist of fibres (paper and card) in one container receptacle, and containers (glass bottles and jars, plastic bottles, plastic pots, tubs and trays, metal tins and cans) in another. This will require the redevelopment of waste transfer station infrastructure and MRFs to be capable of handling glass (either in new or upgraded facilities) within a containers material stream. The residual waste collection will remain unchanged.

The Partnership will identify those households that are not suitable for the standard service and will put an agreed exception process in place that is appropriate and also allows them to recycle as much as possible within the twin stream system. We will ensure that the service is agile and flexible to respond to the changing needs of individuals as those needs arise.

#### Two stream recycling collection

A number of authorities implement a two-stream recycling service with noted improvements following service roll out. A trial in Boston, Lincolnshire, which included over 3000 properties and the collection of paper and card separate from mixed recycling, showed that two stream collections can achieve improvements in both the quality of the recycling collected and increase in materials captured for recycling. Positive feedback was also well received from residents in the trial area.

## Reduced contamination

Improving recycling performance through reducing contamination is a key operational focus for PI and will help us contribute towards meeting national targets. Contamination monitoring across the MRFs showed that average DMR contamination level was 15.9% in 2019/20 (an increase from 13.75% in 2018/19). However, the capture of DMR has also slightly increased over this time period.

Reprocessors are demanding material with less contamination, focused on quality rather than quantity and this puts pressure on MRF resources to ensure contaminated or non-target materials are removed. The quality of the MRF inputs needs to be improved which will also result in less MRF residue and reduce the costs that waste disposal authorities have to pay for this.

Maximising the material that can be collected and recycled is key and we will continue to improve communication and education campaigns to help residents recycle better and reduce contamination. Reduced contamination will improve quality of material as well as reduce costs. Non-target materials in the wrong containers can cause processing problems at the MRFs, with whole loads of recycling sometimes having to be rejected. It is anticipated contamination will reduce with the segregation of paper and card from other materials when the two-stream service is implemented, as well as it being easier to identify contamination.

Along with communications, we will continue to implement the contamination monitoring programme to ensure that all dry recycling rounds are identified and targeted at the correct sites. A consistent contamination policy (and training) across the partnership will also ensure partners adopt the same approach when looking at contamination and efforts and activities to reduce it.

## Retained and maximised income share for materials

Material collected for recycling is sold and the money received helps to reduce the overall cost of running waste services. There have been significant impacts upon material income in the past 10 years due to a global reduction in the value of recyclable materials. This means that there is decreasing funding available to reinvest into waste services.

Linking to the above priority options, improving recyclable material management through service changes and efforts to reduce contamination will indirectly retain and maximise the income share for materials across PI. Sampling of MRF inputs is undertaken to gauge the level of non-target material being delivered within dry recyclable streams, and thus performance is measured. This provides a focus on quality recycling and the need for partners to reduce their contamination rates to maximise income share.

EPR and DRS will ultimately affect this income share however the impact of this is not currently known. Less materials being collected and processed across the Partnership as a result of these schemes will however indirectly reduce the treatment costs paid by the waste disposal authorities. However, conversely there will be a loss of income where valuable materials are redirected elsewhere.

## 4.3 Waste Reduction

Although overall material tonnages have reduced over time, more still needs to be done across the partnership to drive down waste generation and contribute towards meeting national residual waste reduction targets. Waste prevention is top of the waste management hierarchy, is the most environmentally sound option and where the greatest gains can be made in terms of resource management. It incorporates reduction, reuse and repair initiatives. Waste reduction will be the most effective and efficient way of delivering waste services over the duration of the strategy, reducing treatment and landfill use, reducing climate change impacts and contributing to a cleaner, greener environment. Waste reduction also reduces waste collection and processing costs, helping deliver a cost-effective waste management service.



## Development and delivery of waste prevention initiatives

This option continues to be a key priority for Members. PI partners will encourage and support residents to drive down the volume of waste that is produced through the development of appropriate initiatives. This is especially important given the number of housing developments and population growth in Hampshire, which will put further strain on services and increase the costs of waste collection and disposal.

We will develop the waste prevention plan as a driving tool, following further waste prevention guidance from Government; this will require engagement and commitment by all partners to drive the initiatives and ensure objectives are achieved. This plan will be regularly reviewed and updated to ensure its continued relevance to PI aims.

Waste reduction targets will help partners contribute and deliver on these initiatives, whilst recognising the challenges faced by some of the partners. Implementing initiatives requires agreement on funding, consistent messaging and resourcing, and responsible messages and engagement with residents at local levels will ensure local accountability.

## Increased reuse from bulky waste

Material reuse is a key driver within the national strategy, ensuring circularity of resources. Reuse is defined as material that would otherwise be disposed or recycled which has its useful life extended through use for the same purpose without any additional processing. PI will endeavour to maximise reuse from bulky waste with third sector engagement where feasible.

All partners will work together to ensure that all opportunities are taken to maximise the diversion of bulky material out of the waste stream. As an example, by collecting, storing and managing items with the intention of reuse, we can reduce the amount of material that has to be disposed of through processing and treatment and provide residents with access to reused items at affordable prices.

### Oxfordshire bulky waste case study

Local authorities in Oxfordshire have partnered with a local charity to deliver a combined bulky waste collection service. The partnership with Kathryn Turner Trust (KTT) has been a real success and the initial trial diverted more than 1.4 tonnes of material from landfill in the first six months. There is a call centre referral system, re-use collection organised with KTT, through the Biffa collection contract. The approach taken by South Oxfordshire and Vale of White Horse authorities in working with a local third sector re-use organisation, KTT, is both adaptive and new to Oxfordshire, and shows the benefits of collaboration and flexibility.

## Continued promotion of home composting

Promotion of home composting has always been a key theme for PI and will continue to be a priority initiative under the waste prevention plan. Composting food and garden waste at home is the most sustainable use of waste, reducing carbon footprint as less waste needs to be transported away, processed and re-distributed.

The *Smart Living* waste prevention and lifestyle initiative promotes home composting from start to finish, including advertising where to buy a compost bin online and how to make your own bin or heap. There are also community champions who provide support and advice to any resident wanting to know more about home composting. There is an improvement opportunity for the partners to engage with the *Smart Living* initiative and expand and develop the programme further so all residents benefit from the resources available.

The Partnership recognises that uptake of this initiative requires engagement with the householders to encourage them to undertake home composting, which we will aim to deliver on in the drive to reduce waste.

## 4.4 Best Practice

We will continue to investigate and deliver on best practice within the waste management sector.

### Zero waste to landfill

Zero waste to landfill is a key aspiration for Members, with landfill reduction also being a legislative driver and the least preferred option according to the waste hierarchy. In 2019/20 Hampshire County Council sent 5.37% of their municipal waste to landfill.<sup>4</sup> There is now only one landfill site open in Hampshire for disposing of household waste and the only household waste currently landfilled is bulkier items delivered to recycling centres. PI partners will seek treatment of remaining, non-recyclable waste as well as reuse options to aim for zero waste to landfill and continuously monitor and measure their progress towards it.

### Evaluation and introduction of alternative fuels for vehicles

An alternative fuel is an alternative to standard hydrocarbon-based vehicle fuels (diesel & petrol) such as electric, hybrid, biofuels or hydrogen. The need to consider alternative fuels is growing as local authorities look to address the climate emergency and reduce their carbon footprint, opting for low carbon transport options. Net zero emissions is also a legislative driver with the government looking to ban the purchase of diesel/petrol vehicles by 2030 to support this.

The cost of purchasing alternative vehicles remains high as it is an emerging market, but as more and more authorities look to purchase e-RCVs the cost is anticipated to reduce. The charging infrastructure is also costly to install. There are however long-term savings related to the lower cost of alternative fuels. The reduction in emissions in a move away from standard diesel vehicles will have a positive impact on air quality as well as carbon emissions.

PI partners will evaluate and discuss the introduction of low carbon transport options, whilst being mindful of the budgetary and contractual constraints that exist across the partnership. Adoption of vehicles will also be

#### The Use of Greener Fuels for Waste Collection

In late 2020 the London Borough of Islington became the first London Local Authority to deploy fully electric refuse collection vehicles (eRCVs) as part of an initiative to improve local air quality. The Borough Council introduced two 26t eRCVs to its fleet and is also seeking to reduce the overall size of its waste collection fleet.

The introduction of the electric RCVs was facilitated by a £3.5M development at the Council's Waste and Recycling Centre involving the installation of a new sub-station, high voltage supply and charging infrastructure for the electric vehicles.

In early 2021 the Greater Manchester Combined Authority committed £9.7M to purchase of 27 new eRCVs (approximately half of the Authority's collection fleet) following two years of successful trials. This believed to be the largest commitment of its type to date by a UK Local Authority and has been accompanied by a £880k investment in vehicle charging infrastructure at two of its depots. The deployment of the quiet, low emission eRCVs is expected to reduce greenhouse emissions by 900 tonnes per annum.

<sup>4</sup> <https://www.gov.uk/government/statistics/local-authority-collected-waste-management-annual-results>

dependent on whether they are suitable to the geography of the area and the structure of collection rounds. Fleet conversions will ultimately be a local decision.

### Identification and evaluation of alternative technologies

A number of alternative technologies exist for treating typical household wastes, all of which have a number of advantages, as well as disadvantages. Due to the existing contracts based on EfW technology it will not be financially viable to move away from EfW for the duration of the current contract, but PI will continue to keep a watching brief on alternative technologies for both MSW as well as the recycling fractions. Identification of the best solution for treating waste for Hampshire is a priority for the Partnership and this requires being mindful of the location of such technologies, treating waste at the highest level of the waste hierarchy as economically practicable, maximising diversion from landfill, reducing carbon emissions and balancing cost efficiency and waste management services.

Further consideration will be made towards opportunities to incorporate alternative technologies in the delivery of collection and waste processing services, identifying ways in which efficiency and cost savings could be achieved. By understanding material values we will consider the benefits from making changes to the MRFs to enable additional materials to be collected and processed.

## 4.5 Service Delivery

A number of strategic options will optimise the delivery of the waste management service across Hampshire.

### Consistent, best practice approach to service provision

This option is a key priority for Members. A consistent approach to service provision aligns with the whole system thinking partnership approach discussed at the start, with benefits to the approach being realised through potential synergies and savings. In particular, PI partners will aspire to implement consistent side waste, clinical waste and contamination policies. A consistent service which provides best practice and consistent for flats and communal properties would also be beneficial for the partnership and residents. This will ensure messages across Hampshire are consistent with a clear system of segregation and collection for both operatives and residents. A consistent approach will improve the transparency of the service for residents with the potential for cross boundary savings and a central support system. The partnership will be mindful of local decisions that may prevent a consistent approach across all policies.

### Improved and consistent communications campaigns

Communications are central to conveying messages to residents about the waste and recycling services and present an opportunity to increase resident engagement with services. Communications cut across a number of strategy areas and have an overarching impact on service delivery and performance – they should be output driven. PI partners will work to improve their communications and have a consistent, standardised approach for maximum impact county wide. This will include:

- consistent PI level messaging utilising 'Hampshire Recycles' initiatives; responsible messages will be presented at the local level to increase accountability, tailored to individual partner needs where necessary;
- development of a behavioural change communications plan; PI partners will challenge themselves, the wider community, including the private sector, and government by raising awareness and ownership of resource management issues to change society's attitude and behaviour towards maximising waste prevention, re-use and recycling;

- increase use of social media / technology to communicate and engage with residents about the service to increase impact of messaging;
- provide enhanced consistent communications to support residents in understanding the roll out of any new waste services.

By improving and standardising our communications campaign, we aim to increase correct use of the service, drive down waste tonnages and increase our recycling rate. Our approach will create synergies in the service with a significant impact upon whole system costs in the medium-long term.

### **Consistent approach to staff training**

Following on with the consistency approach, PI partners will implement a consistent approach to staff training, both at operational and support staff levels. This will be centrally organised by the PI Executive with best practice training to include identifying contamination amongst other topics to improve performance county wide. We may be able to leverage better training costs if training is organised across county rather than at individual partner level, with better value for money, for example the Driver CPC Training organised by PI.

### **Increased cross boundary working**

PI partners will look to increase cross boundary working through greater collaboration and sharing of services across partners, to make efficiencies and savings within the service and across the partnership.

Currently the majority of services are delivered within respective partner boundaries apart from a few contracts where this is allowed (e.g., Basingstoke & Deane and Hart where difficult access properties are serviced across border). There is opportunity for the principles to be expanded out across more boundaries to maximise efficiencies where circumstances and services allow (in the short and long term). We would look at opportunities to increase our cross-boundary services across the partnership including for example bulky waste service, clinical waste service and HWRC services and for the delivery of any future food waste collections, treatment and disposal system. Services would be easier to deliver together if they were aligned; cross boundary service delivery will allow for journey routes to be optimised, with potentially less vehicles on the road, as well as the sharing of knowledge and best practice. Cross boundary working will need to be coordinated with Hampshire County Council and Veolia to manage disposal points and ensure that any proposals were feasible, with agreements made on funding and allocation of tonnages across partners, and considering delivery lead authority, cost sharing arrangements, inhouse vs outsourced delivery and the location of the most appropriate depots and waste transfer stations.

### **Sharing of customer satisfaction surveys for the benefit of all partners**

Where customer satisfaction surveys related to waste services are carried out, the outcomes will be shared with all partners to share knowledge with the aim to improve service delivery. This ensures the residents views are shared amongst the partners allowing for feedback and best practice to be more easily identified and implemented.

## 5. Action Plan

This JMWMS sets out the strategic direction for the Partnership and will be supported by a new operational partnership agreement and detailed action plan to take PI forward including meeting the requirements of the Environment Bill. We will collaboratively develop a detailed implementation plan based on the key objectives covered within the Strategy and PI partners will engage and agree on the approach to be taken going forward. A clear consensus is required by all stakeholders with collaboration, regular engagement and decision making necessary to ensure the implementation plan is realistic, achievable and reflects local needs and circumstances.

Implementation of the objectives will be vital for the Partnership in developing and ensuring a waste management service that is customer focused, delivers value for money and has sustainability incorporated throughout. The implementation plan once agreed will be managed by the PI Executive to setup any task and finish groups required for delivery of the plan, and to keep track of progress. Given the scale of the actions required to deliver the strategy, they will be prioritised, and all partners will be required to commit resources to assist with the delivery.

The table below sets out the key strategic actions that all PI Partners are signed up to by approval of this JMWMS, however it is not reflective of the final Action Plan:

| Strategic Objective             | Strategic Actions   |
|---------------------------------|---|
| Partnership Working             | <ul style="list-style-type: none"> <li>• Approval of the Joint Municipal Waste Management Strategy</li> <li>• Adopting a whole systems approach to waste services in Hampshire</li> </ul>                       |
| Recyclables Material Management | <ul style="list-style-type: none"> <li>• Commitment to move to a twin stream system for dry recyclables.</li> <li>• Commitment to reducing contamination of all waste streams through joint working.</li> </ul> |
| Waste Reduction                 | <ul style="list-style-type: none"> <li>• Support the aim of reducing waste in Hampshire.</li> <li>• Commitment to work together to increase the reuse of bulky waste.</li> </ul>                                |
| Best Practice                   | <ul style="list-style-type: none"> <li>• Commitment to reviewing and sharing best practice to improve both performance and service delivery.</li> </ul>   |
| Service Delivery                | <ul style="list-style-type: none"> <li>• Commitment to consistent communications to support service delivery across the partnership.</li> </ul>   |

## Appendix one: The strategic options considered

Engagement with key stakeholders across PI's partnering authorities was undertaken to identify and agree JMWMS aims and objectives. A series of engagement workshops were undertaken to firstly identify, and secondly assess options available to the Partnership, resulting in a short list of subjects to be incorporated into this JMWMS.

As support this process PI engaged Wood Group (Wood), a waste management consultancy, to review and update the JMWMS. Wood has previously supported the Partnership on a project identifying the most optimal service collection option; this has allowed the Partnership to plan for the implementation of a waste management solution for Hampshire and this current review builds on that work to develop a new forward looking JMWMS.

### Identification of strategic options

The identification of strategic options commenced with a wide-ranging consideration of potential actions and activities that could be implemented in the management of waste; this resulted in an extensive longlist of options being identified, consisting of waste management options across areas including but not limited to:

- Waste collected (which materials are separated for recycling)
- Collection frequencies
- Waste containers (type and capacities)
- Recyclate separation at the kerbside (fully separate/two stream)
- Collection charges
- HWRCs
- Bulky waste
- Alternative fuels
- Waste treatment technologies
- Communications

Evaluation criteria were identified based on anticipated priority areas for the partnership, as well as fundamental criteria for appraising waste management services. This consisted of a number of criteria grouped into four main themes – financial, environmental, social and technical.

### Officers workshop

During the PI Officers workshop, officers were presented the long list subjects and evaluation criteria for consideration and evaluation. Officers had the opportunity to identify any long list subjects that they believed should be removed from the list, and to capture any additional subjects that should be included. Where there was consistent feedback the long list was updated accordingly. A similar process was undertaken for the evaluation criteria.

Officers then scored each evaluation criterion based on level of importance. Scoring allocation ranged from 1 (least importance) to 4 (greatest importance). Officers were asked to carefully consider these criteria and ensure that they provided a spread of weightings to ensure differentiation between importance. This resulted in an average evaluation criteria score being developed.

## Options appraisal

Following the Officer workshop, Wood independently evaluated the long list against the criteria. Wood undertook a qualitative assessment of whether the impact of the subject was anticipated to be positive, negative or neutral against the current position. Those deemed to have a positive impact scored positively. Any evaluation criteria that were not relevant to a subject were scored as a 0 (no impact). The average score for each criterion as identified at the Officers workshop was used by Wood in the assessment of the agreed long list subjects.

Following the scoring and weighting exercise the long list subjects were ranked, allowing a short list of between 15 and 20 subjects to be identified. Following discussions with the Partnership a number of subjects were consolidated and some subjects which ranked low were also incorporated into the short list to as they were identified as being of long-term priority / importance for PI, therefore requiring inclusion within the Strategy, e.g. 'Retained and maximised income share for materials', as well as subjects which shape future service change e.g. 'Introduction of two stream collections'.

## Members workshop

The proposed shortlist of subjects was then considered at the Members workshop. The aim of the Members workshop was to gain input from Members on the suitability of the proposed short-listed subjects, and to gain an understanding of which subjects have a greater priority. Following discussion on each group, Members were asked to rank each subject within each group in order of priority; numbers between 1 and 5 were allocated to each of the subjects in each group, with no repeated numbers being allowed.

The final shortlisted subjects are presented below within their respective groupings:

- Group 1 – Partnership Working
  - Identification of external funding opportunities
  - Revision to PI funding arrangements
  - Development of and commitment towards revised JMWMS Implementation Plan
  - Whole system thinking at PI level
  - Setting agreed performance indicators and targets
- Group 2 – Recyclable Material Management
  - Introduction of two stream collections
  - Reduced contamination
  - Retained and maximised income share for materials
- Group 3 – Waste Reduction
  - Increased reuse from bulky waste
  - Development and delivery of waste prevention initiatives

- Continued promotion of home composting
- Group 4 – Best Practice
  - Zero waste to landfill
  - Evaluation and introduction of alternative fuels for vehicles
  - Identification and evaluation of alternative technologies
- Group 5 – Service Delivery
  - Improved and consistent communications campaigns
  - Consistent, best practice approach to service provision
  - Consistent approach to staff training
  - Increased cross boundary working
  - Sharing of customer satisfaction surveys for the benefit of all partners

There were a number of points raised by both the Officers and Members during the workshops that although not shortlist subjects they are still central to the JMWMS, and these are therefore referenced throughout.



### Appendix 2

Waste collection systems:

#### Current



#### Twin Streaming



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## 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 the budget proposals and consider mitigating action.

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| <p><b>Name or Brief Description of Proposal</b></p>   | <p>Adoption of the Joint Municipal Waste Management Strategy of the Project Integra Partnership (“JMWMS”).</p> |
| <p><b>Brief Service Profile</b></p>   |  |
| <p>The collection and disposal of household waste is delivered across Hampshire (population: 1,856,800) by an integrated waste management system. The system’s strategic direction is coordinated by Project Integra (“PI”), a partnership of Hampshire County Council (“HCC”), its 11 districts, and unitary authorities Southampton City Council (“SCC”) and Portsmouth City Council (“PCC”). The partnership’s constitution requires its board to develop a strategic framework (the JMWMS) within which the partner authorities can discharge their functions. Waste management measures in the forthcoming Environment Bill (“the Bill”) – comprising the first significant changes to the regulatory landscape for waste in over a decade – have required the JMWMS to be updated for the first time since 2012. As the Board has no power to make decisions on behalf of its members, decisions to carry the JMWMS into effect will fall to SCC’s executive. The new measures will affect 252,872 residents within SCC’s boundary.</p> |  |
| <p><b>Summary of Impact and Issues</b></p>  |  |
| <p>Through the adoption of the JMWMS, PI is seeking partners’ agreement to implement ‘twin stream’ collection systems to comply with the Bill, which will require the consistent collection by local authorities of a wider range of dry mixed recyclables (“DMR”). A twin-stream system maintains the existing number of containers for DMR (two), but the containers will be used for a different mix of recycling. Glass, cartons, plastics, tin cans and aerosols will go into the existing, blue-lidded recycling bin, with</p>  |  |

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| paper and cardboard (fibres) in a separate bin.  |  |
| <b>Potential Positive Impacts</b>  |  |
| The waste management measures in the Bill will increase the rate of recycling and maximise material quality. Twin streaming has been modelled as suitable for all PI partners and provides the most cost-effective and environmentally beneficial way to meet the requirements of the Bill. Compared to the current DMR collection system (comingled), twin streaming results in a reduction in carbon emissions equal to kerbside sort (where each material is presented by households in separate containers at the kerbside), with lower total costs than kerbside sort. Twin stream collections present a lower risk of injuries to SCC operatives than kerbside sort. |  |
| Responsible Service Manager  | David Tyrie<br>Head of City Services                     |
| Date   | October 2021   |
| Approved by Senior Manager   | James Strachan<br>Service Director, Business Development |
| Date   | October 2021   |

### Potential Negative Impacts

| Impact Assessment                     | Details of Impact   | Possible Solutions   |
|---------------------------------------|---|--|
| <b>Age</b>                            | No impact.  |  |
| <b>Disability</b>                     | People with disabilities may require assistance presenting their DMR containers for collection. | SCC will continue to operate an assisted collection service. |
| <b>Gender Reassignment</b>            | No impact.  |  |
| <b>Marriage and Civil Partnership</b> | No impact.  |  |
| <b>Pregnancy and Maternity</b>        | No impact.  |  |
| <b>Race</b>                           | No impact.  |  |
| <b>Religion or Belief</b>             | No impact.  |  |
| <b>Sex</b>                            | No impact.  |  |
| <b>Sexual Orientation</b>             | No impact.  |  |

|                                  |   |  |
|----------------------------------|---|--|
| <b>Community Safety</b>          | No impact.  |  |
| <b>Poverty</b>                   | No impact.  |  |
| <b>Other Significant Impacts</b> | Changes to the recycling collection system may cause confusion for residents. | The adoption of twin streaming (rather than kerbside sort) will minimise disruption for residents by maintaining the same number of DMR containers as before. The measures in the Bill will make recycling simpler for residents by ensuring a consistent set of materials is collected by local authorities across England. The move to twin streaming will be accompanied by a comprehensive, multi-channel communications campaign. |

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| <b>DECISION-MAKER:</b>   | <b>CABINET<br/>COUNCIL</b>   |
| <b>SUBJECT:</b>          | <b>INTEGRATED TRANSPORT &amp; HIGHWAYS<br/>PROGRAMME 2021/22 – APPROVAL TO SPEND</b> |
| <b>DATE OF DECISION:</b> | <b>CABINET - NOVEMBER 15, 2021<br/>COUNCIL - NOVEMBER 17, 2021</b>                   |
| <b>REPORT OF:</b>        | <b>COUNCILLOR MOULTON<br/>CABINET MEMBER FOR GROWTH</b>                              |

| <b><u>CONTACT DETAILS</u></b> |               |  |                          |
|-------------------------------|---------------|--|--------------------------|
| <b>Executive Director</b>     | <b>Title</b>  | <b>Place</b>   |                          |
|                               | <b>Name:</b>  | <b>Kate Martin</b>   | <b>Tel:</b> 07805 500335 |
|                               | <b>E-mail</b> | <a href="mailto:Kate.martin@southampton.gov.uk">Kate.martin@southampton.gov.uk</a>     |                          |
| <b>Author:</b>                | <b>Title</b>  | <b>Head of Green City &amp; Infrastructure</b>   |                          |
|                               | <b>Name:</b>  | <b>Pete Boustred</b>   | <b>Tel:</b>              |
|                               | <b>E-mail</b> | <a href="mailto:Pete.boustred@southampton.gov.uk">Pete.boustred@southampton.gov.uk</a> |                          |

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| <b>STATEMENT OF CONFIDENTIALITY</b>  |  |
| Not applicable   |  |
| <b>BRIEF SUMMARY</b>   |  |
| <p>A five-year Highways investment programme was added to the capital programme as part of the Medium Term Financial Strategy approved by Council in February 2020. Approval to incur expenditure against the programme is now required for the 2021/22 scheme. This report will give updated details on the projects and any additional funding requirements.</p> |  |
| <b>RECOMMENDATIONS:</b>  |  |
| It is recommended for Cabinet:   |  |
| (i)  | To note the updated capital programme for Integrated Transport and Highways, the revised financing of the programme and the associated capital spend for 2021/22, including amendments detailed within this report and in accordance with financial procedure rules, of £74.55M as detailed in paragraph 17 and Appendix 1 |
| (ii)   | To note the overall budget addition of £2.33M, to the Place capital programme funded by government grant and S106 developer contributions, as detailed in paragraph 18 and Appendix 1.   |
| (iii)  | To note budget virements between existing schemes within the programme as detailed in paragraph 19 and Appendix 1.   |
| (iv)   | To note the details of the projects within Transforming Cities Programme and Future Transport Zone Programme as detailed in Appendices 2 and 3.  |

**RECOMMENDATIONS:**

It is recommended for Council:

|  |       |  |
|--|-------|--|
|  | (i)   | To approve the updated capital programme for Integrated Transport and Highways, the revised financing of the programme and the associated capital spend for 2021/22, including amendments detailed within this report and in accordance with financial procedure rules, of £74.55M as detailed in paragraph 17 and Appendix 1. |
|  | (ii)  | To approve the overall budget addition of £2.33M, to the Place capital programme funded by government grant and S106 developer contributions, as detailed in paragraph 18 and Appendix 1.  |
|  | (iii) | To approve budget virements between existing schemes within the programme as detailed in paragraph 19 and Appendix 1.  |
|  | (iv)  | To note the details of the projects within Transforming Cities Programme and Future Transport Zone Programme as detailed in Appendices 2 and 3.  |

**REASONS FOR REPORT RECOMMENDATIONS**

|    |   |
|----|---|
| 1. | Financial Procedure Rules require that approval to spend is secured to enable the delivery of the Council's capital programme each year.            |
| 2. | The details of the projects are included to provide Members with relevant information about the investment being made in the City's infrastructure. |
| 3. | To amend the funding allocations in response to recent funding announcements from the Department for Transport (DfT).                               |

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

|    |  |
|----|--|
| 4. | A smaller programme than that proposed would undermine the essential support for the ongoing development of Southampton, fail to meet the objectives set out in the Local Transport Plan (LTP4), Green City Plan, the Transforming Cities and Future Transport Zone programmes, or deliver any noticeable improvement in the basic highway infrastructure. |
|----|--|

**DETAIL (Including consultation carried out)**

|    |   |
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| 5. | <p>The Integrated Transport &amp; Highways Capital Programme for 2021/22 includes the delivery of a number of high-profile transport schemes including:</p> <ul style="list-style-type: none"> <li>• Transforming Cities Programme including infrastructure for the hospital Park &amp; Ride, enhanced traffic signal technology, Cycling and public transport interchanges;</li> <li>• Active Travel Fund for cycling and walking;</li> <li>• Future Transport Zone programme;</li> <li>• Programme of road safety, public transport, school streets, cycle and walking, and Intelligent Transport Systems (ITS);</li> <li>• Highways Roads Programme covering carriageway resurfacing, footway and kerbing reconstruction, and footway surfacing; and</li> <li>• Development of the Northam Rail Bridge project.</li> </ul> |
| 6. | The outline for the spend is set out in paragraphs 8-16 with individual schemes in Appendices 1, 2, & 3.  |
| 7. | <p><i>Integrated Transport Block</i></p> <p>The 2021/22 Integrated Transport Block funding is based on annual Local Transport Plan Integrated Transport Block from Department for Transport</p>   |



|    |   |
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|    | <p>(DfT) to Southampton City Council (SCC) and will be used to fund programmes of:</p> <ul style="list-style-type: none"> <li>• Road Safety – engineering measures and safety promotion activities, annual review of reported crash data for city, and contribution to Road Safety Partnership;</li> <li>• Cycling – engineering measures to improve cycling routes and safety;</li> <li>• Accessibility – improved pedestrian crossings and Legible Cities wayfinding programme;</li> <li>• Intelligent Transport Systems (ITS) – traffic signals, ongoing funding of Covid-19 mitigation measures and new traffic monitoring;</li> <li>• Public Transport – improve bus stops, new bus stop information including Real Time Information and bus stop flags;</li> <li>• Travel to School – expansion of the School Streets programme to improve pedestrian safety at school gates; and</li> <li>• Local Transport Improvement Fund – programme of minor works prioritised from Member requests.</li> </ul> <p>Details of the full Integrated Transport programme for 2021/22 totalling £4.44M are shown in Appendix 1.</p>   |
| 8. | <p><i>Transforming Cities Fund (TCF)</i></p> <p>In 2020, SCC was successful in its joint bid (with Hampshire County Council) to the DfT’s Transforming Cities Fund receiving £56.90M for sustainable and active travel schemes in Southampton City Region.</p> <p>TCF’s aim is to deliver a step-change in transport sustainably connecting people, jobs and opportunities along four corridors and the city centre to place the Southampton City Region at the forefront of economic competitiveness and productivity in the UK.</p> <p>The bid secured funding for the City Centre and along four corridors as follows:</p> <ul style="list-style-type: none"> <li>• City Centre Transformation – these schemes are the programme’s showcase public realm locations and gateway interchanges, with the four corridors converging in the City Centre. The schemes include high quality interchanges at Southampton Central Station south side and Albion Place. Improvements and congestion reduction along the Northern Ring Road allows public realm realisation along Civic Centre Road as well as strengthening the links between the Cultural Quarter and the High Street for pedestrians;</li> <li>• Western (Totton) corridor – includes schemes to reduce congestion and prioritise buses through smart technology. This corridor also includes Southampton’s first Park &amp; Ride which will be operated weekday by the University Hospital Southampton as part of a purpose-built Park &amp; Ride facility at Adanac Park Health Campus and include the option for public weekend and special event Park &amp; Ride;</li> <li>• Northern (Avenue) corridor – includes schemes to encourage cycling and walking along this corridor, providing segregated cycle facilities on The Avenue from Northlands Road to the subway, and along Lovers Walk and Glen Eyre Road via quietways;</li> <li>• Portswood &amp; Eastleigh corridor – includes schemes to encourage cycling and walking as well as improving bus journey times and</li> </ul> |

|     |  |
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|     | <p>reliability along Portswood Road, St Denys Road, and schemes to reduce congestion along A335 Thomas Lewis Way through smart traffic signal technology. This corridor also includes an Active Travel Zone in St Denys and a Mobility Hub in Portswood to boost cycling and walking; and</p> <ul style="list-style-type: none"> <li>• Eastern (Woolston) corridor – includes schemes to encourage cycling and walking as well as better interchange facilities at Woolston including a Mobility Hub and an Active Travel Zone for Woolston and Itchen. Station access will be improved at Woolston and Sholing.</li> </ul> <p>Details of all the SCC Transforming Cities Fund schemes totalling £30.70M for 2021/22 and are shown in Appendix 2.</p>  |
| 9.  | <p><i>Active Travel Fund Tranche 2</i></p> <p>Southampton City Council was successful in receiving £0.980m capital funding from the DfT's Active Travel Fund. The grant funding supports local transport authorities with producing cycling and walking facilities. This funding is for the following projects:</p> <ul style="list-style-type: none"> <li>• SCN4 Access to University Hospital Southampton – improvements to walking and cycling routes to the Hospital including the provision of new cycle routes from City Centre and Adanac Park;</li> <li>• St Mark's Active Travel Zone – proposals to mitigate the impact on the local transport network of the new Through School at St Mark's Shirley. This will be combined with S106 contributions received from the School's development approval;</li> <li>• Bedford Place and The Polygon Active Travel Zone – proposals to encourage walking and cycling in the Polygon area, and elements to support safety improvements in the Bedford Place area;</li> <li>• SCN6 St Mary's Road - the introduction of dedicated cycle facilities on St Mary's Road to provide better links to Royal South Hants Hospital; and</li> <li>• School Streets – infrastructure to provide a School Street at Shirley Infant School to improve pedestrian safety at the school gate entrance and provide measures to address a long-term school crossing patrol vacancy.</li> </ul> |
| 10. | <p><i>The Solent Future Transport Zone (FTZ)</i></p> <p>SCC, through the Solent Transport partnership (incorporating Hampshire, Isle of Wight and Portsmouth), was awarded £28.8m from the DfT to run numerous tests and trials of innovative approaches to transport across the Solent region, known as the Solent Future Transport Zone. SCC is acting as the financial responsible authority for the programme on behalf of Solent Transport. As these tests and trials take place, the Solent Transport will capture data and invite feedback to understand whether these innovations are improving transport options and the way people travel. Projects include:</p> <ul style="list-style-type: none"> <li>• E-scooter trials,</li> <li>• Developments to the Solent Go Multi Operator Travel Card,</li> <li>• Bike/E-bike rental trials,</li> <li>• Micro and Macro freight consolidation and deliveries,</li> <li>• Transport and Travel mobile app (Mobility as a Service),</li> <li>• Drone medical delivery trials, and</li> <li>• Mobility hubs.</li> </ul>   |

|                        |  |
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|                        | Delivery of the FTZ has been reprofiled due to Covid and an extension to 2024/25. Spend will be up to £16.87M in 2021/22 and is detailed in Appendix 3.  |
| 11.                    | <p><i>Major Transport Scheme</i></p> <p>A major project is being developed with Network Rail for the replacement and improvement of the major pinch point at A3024 Northam Rail Bridge. The work will include design, business case development, consultation, and development of products required for Network Rail.</p>  |
| 12.                    | <p><i>Highways &amp; Roads Programme</i></p> <p>The Council is continuing to invest in the highway and public realm infrastructure of the City to help offset the continuing deterioration of the City's roads and footways. The funding sources for this are shown in Appendix 1.</p> <p>Delivery for the remainder of 21/22 Highways &amp; Roads Programme encompasses a wide range of highway carriageway and footway schemes at various stages of design/pricing/construction. These specifically identified locations will ensure a balance against an available total budget of £14.80m. This is an approval spend but requires a subsequent project level approval and policy decision for unadopted roads to follow.</p> |
| 13.                    | The Transport Asset Management Plan (TAMP), LTP4, Green City Plan and TCF Strategic Outline Business Case (SOBC) have provided the priority for highways spend, the integrated transport projects, the TCF/ Solent FTZ and Green City projects. Individual consultation will be undertaken on each project using agreed consultation strategies.   |
| 14.                    | The Integrated Transport Board has an overarching responsibility for the delivery of the Integrated Transport & Highways Capital Programme. The TCF Programme Board manage the delivery of the TCF programme with review progress and performance and reports exceptions.  |
| 15.                    | The road surfacing projects are based on the latest TAMP priorities. There may be some minor changes to this programme as the individual projects are designed and if further deterioration of the network requires alternative priority investment. Any variations will be subject to the appropriate change control process.   |
| RESOURCE IMPLICATIONS  |  |
| <u>Capital/Revenue</u> |  |

|   |  |                                  |                                   |                                   |                                 |
|---|--|----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| 16.   | The revised Integrated Transport and Highways for 2021/22 total £74.55M.   |                                  |                                   |                                   |                                 |
|   | Summary  | Original Budget<br>2021/22<br>£M | Budget Additions<br>2021/22<br>£M | Budget Virements<br>2021/22<br>£M | Revised Budget<br>2021/22<br>£M |
|   | Highways   | 13.89                            | 1.03                              | (0.12)                            | 14.80                           |
|   | Integrated Transport   | 57.56                            | 1.31                              | 0.12                              | 58.99                           |
|   | Non-Highways   | 0.54                             | 0.00                              | 0.00                              | 0.54                            |
|   | Other Environment  | 0.22                             | 0.00                              | 0.00                              | 0.23                            |
|   | <b>TOTAL</b>   | <b>72.22</b>                     | <b>2.33</b>                       | <b>0.00</b>                       | <b>74.55</b>                    |
|   | Funded by  |                                  |                                   |                                   |                                 |
|   | Council Resources  | (12.46)                          | 0.00                              | 0.00                              | (12.46)                         |
|   | Contributions (S106)   | (4.71)                           | (2.24)                            | 0.00                              | (6.95)                          |
|   | Government Grants  | (54.65)                          | (0.10)                            | 0.00                              | (54.75)                         |
|   | Direct Revenue   | (0.40)                           | 0.00                              | 0.00                              | (0.40)                          |
|   |  | (72.22)                          | (2.33)                            | 0.00                              | (74.55)                         |
|   | Note – figures have been rounded   |                                  |                                   |                                   |                                 |
| 17.   | Budget additions of £2.33M are funded by government grants and S106 developer contribution   |                                  |                                   |                                   |                                 |
| 18.   | Detail of budget virements within existing schemes and their funding are shown in Appendix 1.  |                                  |                                   |                                   |                                 |
| 19.   | Of the £2.14M Integrated Transport grant funding for 2021/22, £0.95M is to be added to the programme as detailed and the remaining £1.19M has been earmarked as match funding for the Transforming Cities budget and is already included in the approved budget.   |                                  |                                   |                                   |                                 |
| 20.   | The Connected Southampton budget added to the capital programme in February 2020 consisted of two elements, Transforming Cities and Northam Bridge. The capital programme detailed in Appendix 1 for 2021/22, shows these as two distinct projects to ensure transparency and improved budget monitoring.  |                                  |                                   |                                   |                                 |
| 21.   | The proposed programme is fully funded and is based on available funding levels.   |                                  |                                   |                                   |                                 |
| <b><u>Property/Other</u></b>  |  |                                  |                                   |                                   |                                 |
| 21.   | There are not property implications with this report   |                                  |                                   |                                   |                                 |
| <b>LEGAL IMPLICATIONS</b>   |  |                                  |                                   |                                   |                                 |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |  |                                  |                                   |                                   |                                 |
| 22.   | Each Capital scheme will be delivered in accordance with a variety of Highways and Environmental legislation, including but not limited to the Highways Act 1980, Road Traffic Regulation Act 1994, Traffic Management Act 2004, and s.1 <u>Localism Act 2011 – general power of competence</u> (having first had regard to the provisions of the Community Strategy). |                                  |                                   |                                   |                                 |

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| <b><u>Other Legal Implications:</u></b> |  |
| 23.                                     | Any scheme or change to a scheme must be made having regard to the Human Rights Act 1998 (with any national minimum scheme will be deemed to comply) and the Equalities Act 2010, in particular the Public Sector Equalities duty. Procurement of Schemes will be carried out in accordance with the Council's procurement strategy, existing and newly procured partnership contracts and in accordance with National procurement legislation and directives. Design and implementation of schemes will take into account the provisions of s.17 Crime & Disorder Act 1998 and the impact of schemes on individuals and communities will be assessed against Human Rights Act 1998 and Equalities legislation provisions. |
| <b>RISK MANAGEMENT IMPLICATIONS</b>     |  |
| 24.                                     | SCC as the financial accountable body for the Solent Future Transport Zone will need to assess risks in accordance with its Financial Procedure Rules and ensure they are considered and mitigated via the Solent FTZ Programme Board and the Solent Transport Joint Committee. This will guarantee that any financial and commercial programme risks are considered, agreed upfront and where necessary, with common consent, shared across the four Local Transport Authorities.   |
| <b>POLICY FRAMEWORK IMPLICATIONS</b>    |  |
| 25.                                     | The Capital Programme is compatible with the objectives in the Corporate Plan 2021-25.   |
| 26.                                     | The City Council is the Local Transport Authority as laid down in the Transport Act 2000 and the Council's relevant Policy Framework is Connecting Southampton 2020 Transport Strategy (LTP4).   |
| 27.                                     | The importance of the condition of the highway network in terms of defects, as well as its ability to assist in providing high quality transport for all modes cannot be understated in terms of providing an indication of the health and vitality of the City. Increased investment by the Council can only signal to businesses and residents that Southampton is a location to invest and commit to. Getting this message clearly across to key stakeholders in the City will be a priority once the programme is approved.  |

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| <b>KEY DECISION?</b>                   | <b>Yes</b>   |
| <b>WARDS/COMMUNITIES AFFECTED:</b>     | All  |
| <b><u>SUPPORTING DOCUMENTATION</u></b> |  |
| <b>Appendices</b>                      |  |
| 1.                                     | Revised Integrated Transport and Highways Capital Programme 2021/22 and Associated Funding |
| 2.                                     | Detail of schemes within the Transforming Cities Programme for 2021/22                     |
| 3.                                     | Detail of Schemes within the Future Transport Zone Programme for 2021/22                   |

**Documents In Members' Rooms**

|   |   |
|---|---|
| 1.  |   |
| 2.  |   |
| <b>Equality Impact Assessment</b>   |   |
| <b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b> | <b>Yes</b>  |
| <b>Data Protection Impact Assessment</b>  |   |
| <b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>      | <b>No</b>   |
| <b>Other Background Documents</b>   |   |
| <b>Other Background documents available for inspection at:</b>  |   |
| <b>Title of Background Paper(s)</b>   | <b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b> |
| 1.  |   |
| 2.  |   |

# Agenda Item 12

## Integrated Transport and Highways Capital Programme 2021/22 and Associated Funding

Appendix 1

| Summary                           | Scheme        | Scheme Description                            | Original<br>Budget<br>2021/22<br>£M | Budget<br>Additions<br>2021/22<br>£M | Budget<br>Virements<br>2021/22<br>£M | Revised<br>Budget<br>2021/22<br>£M |
|-----------------------------------|---------------|---|-------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Highways</b>                   | <b>CG0026</b> | Additional Roads Programme                    | 10.800                              | 1.242                                | (3.090)                              | 8.952                              |
|                                   | <b>CG0027</b> | Essential Highways Minor Works                | 0.000                               | 0.000                                | 0.060                                | 0.060                              |
|                                   | <b>CG0028</b> | Pothole Action Fund                           | 0.000                               | 0.000                                | 1.000                                | 1.000                              |
|                                   | <b>CG0029</b> | Cycleways Improvements Programme              | 0.076                               | 0.000                                | 0.000                                | 0.076                              |
|                                   | <b>CG0042</b> | Other Bridge Works                            | 0.030                               | 0.000                                | 1.132                                | 1.162                              |
|                                   | <b>CG0049</b> | Unclassified Roads                            | 0.402                               | 0.000                                | (0.402)                              | 0.000                              |
|                                   | <b>CG0050</b> | Footways - Various Treatments                 | 0.000                               | 0.000                                | 1.500                                | 1.500                              |
|                                   | <b>CG0052</b> | Highways Drainage Investigations              | 0.000                               | 0.000                                | 0.250                                | 0.250                              |
|                                   | <b>CG0053</b> | St Lighting                                   | 0.013                               | 0.000                                | 0.000                                | 0.013                              |
|                                   | <b>CG0054</b> | Road Restraint Systems                        | 0.000                               | 0.000                                | 0.300                                | 0.300                              |
|                                   | <b>CG0060</b> | Highways Improvements (Developer)             | 0.405                               | (0.128)                              | 0.001                                | 0.278                              |
|                                   | <b>CG0196</b> | M27/M3 Travel Demand Management               | 0.360                               | 0.000                                | 0.000                                | 0.360                              |
|                                   | <b>CG0197</b> | S106 – Highways                               | 0.381                               | (0.009)                              | (0.034)                              | 0.338                              |
|                                   | <b>CG0198</b> | S106 - Integrated Transport                   | 0.248                               | (0.080)                              | (0.084)                              | 0.084                              |
|                                   | <b>CG0231</b> | Pavements                                     | 1.000                               | 0.000                                | (1.000)                              | 0.000                              |
|                                   | <b>CT0066</b> | Townhill Park Infrastructure - Roads          | 0.178                               | 0.000                                | 0.000                                | 0.178                              |
|                                   | <b>CAP3</b>   | Lordswood Close - Unadopted Road              | 0.000                               | 0.000                                | 0.250                                | 0.250                              |
| <b>Highways Total</b>             |               |   | <b>13.893</b>                       | <b>1.025</b>                         | <b>(0.117)</b>                       | <b>14.801</b>                      |
| <b>Integrated Transport</b>       | <b>CAP1</b>   | Northam Rail Bridge                           | 0.000                               | 0.000                                | 5.330                                | 5.330                              |
|                                   | <b>CAP2</b>   | Northam Match Funding                         | 1.650                               | 0.000                                | 0.000                                | 1.650                              |
|                                   | <b>CG0006</b> | Cycling                                       | 1.107                               | (0.149)                              | 0.007                                | 0.965                              |
|                                   | <b>CG0008</b> | Public Transport                              | 0.705                               | 0.827                                | 0.000                                | 1.532                              |
|                                   | <b>CG0009</b> | Improved Safety                               | 0.090                               | 0.192                                | 0.069                                | 0.351                              |
|                                   | <b>CG0010</b> | Travel to School                              | 0.000                               | 0.179                                | 0.028                                | 0.207                              |
|                                   | <b>CG0013</b> | Accessibility                                 | 0.000                               | 0.125                                | 0.013                                | 0.138                              |
|                                   | <b>CG0016</b> | Local Transport Improvement Fund              | 0.240                               | 0.000                                | 0.000                                | 0.240                              |
|                                   | <b>CG0017</b> | ITS   | 0.000                               | 0.300                                | 0.000                                | 0.300                              |
|                                   | <b>CG0024</b> | Electric Vehicle Action Plan                  | 0.498                               | 0.000                                | 0.000                                | 0.498                              |
|                                   | <b>CG0033</b> | Eastern strategic cycle route development     | 0.035                               | (0.035)                              | 0.000                                | 0.000                              |
|                                   | <b>CG0034</b> | NCR: Ave East Lodge Rd – Dorset St            | 0.026                               | (0.011)                              | 0.000                                | 0.015                              |
|                                   | <b>CG0037</b> | Bus Lane & Traffic Enforcement                | 0.000                               | 0.000                                | 0.000                                | 0.000                              |
|                                   | <b>CG0038</b> | Bus Corridor Minor Works                      | 0.223                               | (0.121)                              | 0.000                                | 0.102                              |
|                                   | <b>CG0040</b> | Northam Rail Bridge and corridor improvements | 0.093                               | 0.000                                | 0.000                                | 0.093                              |
|                                   | <b>CG0209</b> | Future Transport Zone                         | 16.868                              | 0.000                                | 0.000                                | 16.868                             |
|                                   | <b>CG0215</b> | Transforming Cities Fund                      | 36.028                              | 0.000                                | (5.330)                              | 30.698                             |
| <b>Integrated Transport Total</b> |               |   | <b>57.563</b>                       | <b>1.307</b>                         | <b>0.117</b>                         | <b>58.987</b>                      |
| <b>Non-Highways</b>               | <b>CT0067</b> | Townhill Park Infrastructure - Parks          | 0.536                               | 0.000                                | 0.000                                | 0.536                              |
| <b>Non-Highways Total</b>         |               |   | <b>0.536</b>                        | <b>0.000</b>                         | <b>0.000</b>                         | <b>0.536</b>                       |
| <b>Other Environment</b>          | <b>CT0065</b> | Clean Air Zone                                | 0.217                               | 0.000                                | 0.000                                | 0.217                              |
|                                   | <b>CT0074</b> | S106 - Air Quality                            | 0.011                               | 0.000                                | 0.000                                | 0.011                              |
| <b>Other Environment Total</b>    |               |   | <b>0.228</b>                        | <b>0.000</b>                         | <b>0.000</b>                         | <b>0.228</b>                       |
| <b>Total</b>                      |               |   | <b>72.220</b>                       | <b>2.332</b>                         | <b>0.000</b>                         | <b>74.552</b>                      |

## **Integrated Transport and Highways Capital Programme 2021/22 and Associated Funding**

|                   |                 |                |              |                 |
|-------------------|-----------------|----------------|--------------|-----------------|
| Funded by         |                 |                |              |                 |
| Council Resources | (12.458)        | 0.000          | 0.000        | (12.458)        |
| Contributions     | (4.711)         | (2.236)        | 0.000        | (6.947)         |
| Government Grants | (54.651)        | (0.096)        | 0.000        | (54.747)        |
| Direct Revenue    | (0.400)         | 0.000          | 0.000        | (0.400)         |
| <b>Total</b>      | <b>(72.220)</b> | <b>(2.332)</b> | <b>0.000</b> | <b>(74.552)</b> |



## Detail of Schemes Within the Transforming Cities Programme for 2021/22

Appendix 2

| Scheme   | Budget<br>2021/22 |
|--|-------------------|
| A35-A33 Smart Technology                           | 0.13              |
| Southampton-Totton Enhanced Stops                  | 0.02              |
| TCF2 - A335 Smart Technology                       | 0.29              |
| TCF2 - A335/St Denys Road Junction                 | 0.35              |
| TCF2 - Avenue/Burgess Road Junction                | 0.69              |
| TCF2 - Central Station Interchange                 | 1.92              |
| TCF2 - East/West Spine                             | 1.52              |
| TCF2 - HCC Payments                                | 3.91              |
| TCF2 - High Street Swaythling Bus                  | 0.22              |
| TCF2 - Inner Avenue Quietways                      | 0.12              |
| TCF2 - Itchen Bridge Roundabout                    | 1.08              |
| TCF2 - Marketing and Comms                         | 1.34              |
| TCF2 - Millbrook Roundabout Bus lane               | 0.66              |
| TCF2 - Millbrook Rd/Regents Bus Lane               | 0.05              |
| TCF2 - Mountbatten Way Bus Lane                    | 0.10              |
| TCF2 - Northern Inner Ring Road                    | 4.51              |
| TCF2 - Portland Terrace                            | 0.19              |
| TCF2 - Portsmouth Rd Cycle                         | 1.21              |
| TCF2 - Portswood Local Mobility Hub                | 0.06              |
| TCF2 - Portswood Road Bus Priority                 | 1.50              |
| TCF2 - SCN6 Portswood Road Cycle                   | 0.95              |
| TCF2 - Six Dials Junction                          | 0.23              |
| TCF2 - Soton to Fair Oak Enhanced Stops            | 0.01              |
| TCF2 - Soton to Fair Oak Super Stops               | 0.11              |
| TCF2 - Soton to Totton Super Stops                 | 0.06              |
| TCF2 - Southampton West Park & Ride                | 3.10              |
| TCF2 - St Denys Active Travel Zone                 | 0.60              |
| TCF2 - St Denys Rd Bus Priority                    | 1.25              |
| TCF2 - Stoneham Lane Upgrade                       | 0.23              |
| TCF2 - The Avenue Cycle                            | 0.82              |
| TCF2 - Wessex Lane                                 | 0.09              |
| TCF2 - Woolston Active Travel Zone                 | 0.10              |
| TCF2 - Woolston Local Mobility Hub                 | 0.15              |
| Winchester Road Roundabout                         | 0.47              |
| Budget to Carry Forward to 2022/23                 | 2.68              |
| <b>Total Transforming Cities Programme 2021/22</b> | <b>30.70</b>      |

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**Detail of Schemes Within the Future Transport Zone Programme for 2021/22**

| Project Code | Project Description             | Work Order   | Work Order Description                | 2021/22 Budget £M        |
|--------------|---------------------------------|--|---------------------------------------|--------------------------|
| CG0209100    | Mobility-as-a-Service (MaaS)    | CG0209100100   | Future Transport Zone                 | 0.59                     |
| CG0209100    | Mobility-as-a-Service (MaaS)    | CG0209100101   | MaaS Trials                           | 1.00                     |
| CG0209101    | Solent Go                       | CG0209101100   | Solent Go                             | 0.25                     |
| CG0209103    | Bike Share                      | CG0209103100   | Bike Share                            | 0.64                     |
| CG0209106    | E-Scooter Trials                | CG0209106103   | Escooter Trials (SCC)                 | 0.70                     |
| CG0209102    | Mobility Credits                | CG0209102100   | Mobility Credits                      | 0.02                     |
| CG0217100    | Micro consolidation             | CG0217100100   | Micro consolidation                   | 0.43                     |
| CG0217101    | Macro consolidation             | CG0217101100   | Macro consolidation                   | 0.07                     |
| CG0217102    | Drones for medical logistics    | CG0217102100   | Drones for medical logistics          | 0.54                     |
| CG0218100    | FTZ Monitoring & Evaluation     | CG0218100100   | Programme Level M&E                   | 0.12                     |
| CG0218101    | FTZ Marketing & Comms           | CG0218101100   | Marketing and Comms (Programme Level) | 0.12                     |
| CG0218102    | FTZ Procurement / Legal Support | CG0218102100   | FTZ Procurement Support               | 0.08                     |
| CG0218103    | FTZ Programme Delivery Team     | CG0218103100   | FTZ Programme Delivery Team           | 0.56                     |
|              |                                 |  |                                       | <hr/> 5.10               |
|              |                                 | Budget to be carried forward into future financial years |                                       | 11.77                    |
|              |                                 |  | <b>Total Budget 2021/22</b>           | <hr/> <b>16.87</b> <hr/> |

Nb.Budgets are reported to the joint committee for the project based on the financial years of the project rather than the standard financial year reported above

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|                          |   |
|--------------------------|---|
| <b>DECISION-MAKER:</b>   | CABINET   |
| <b>SUBJECT:</b>          | BUDGET MATTERS – DECARBONISATION SCHEME   |
| <b>DATE OF DECISION:</b> | 15 NOVEMBER 2021  |
| <b>REPORT OF:</b>        | <b>CABINET MEMBER FOR ENVIRONMENT/CABINET MEMBER FOR FINANCE AND CAPITAL ASSETS</b> |

| <u>CONTACT DETAILS</u>    |               |  |                                     |
|---------------------------|---------------|--|-------------------------------------|
| <b>Executive Director</b> | <b>Title</b>  | <b>PLACE</b>   |                                     |
|                           | <b>Name:</b>  | KATE MARTIN/<br>JOHN HARRISON  | Tel: 023 8083 4670<br>023 8083 4897 |
|                           | <b>E-mail</b> | <a href="mailto:Kate.Martin@southampton.gov.uk">Kate.Martin@southampton.gov.uk</a>   |                                     |
| <b>Author:</b>            | <b>Title</b>  | <b>ENERGY MANAGER</b>  |                                     |
|                           | <b>Name:</b>  | JASON TAYLOR/<br>STEVE HARRISON  | Tel: 023 8083 2641<br>07392 864525  |
|                           | <b>E-mail</b> | <a href="mailto:Jason.Taylor@southampton.gov.uk">Jason.Taylor@southampton.gov.uk</a> |                                     |

|                                     |
|-------------------------------------|
| <b>STATEMENT OF CONFIDENTIALITY</b> |
| N/A                                 |

|   |  |
|---|--|
| <b>BRIEF SUMMARY</b>  |  |
| <p>To achieve its ambition to be net zero carbon by 2030 Southampton City Council (SCC) will need to address the carbon emissions associated with its corporate assets. It is currently estimated this is responsible for 9,900 tonnes of CO2 Per year and is one of our most significant sources of emissions.</p> <p>A Clean Growth fund was proposed and adopted in 2020 to deliver a programme of energy efficiency and decarbonisation measures across this building portfolio. This was to be match funded by Salix Finance Ltd – an organisation that administers government money to deliver carbon reduction within the public sector.</p> <p>The Salix 50/50 match funding is no longer available and has been replaced with a grant focused on the decarbonisation of heat – Public Sector Decarbonisation Scheme (PSDS), which is applied for on a competitive basis. This grant will not need to be re-paid to Salix but may not cover all measures that support the council’s decarbonisation efforts.</p> <p>An assessment of the options available to SCC to continue the decarbonisation of corporate assets (including streetlighting) has been undertaken. The summary findings and recommendations are outlined in the paper and agreement sought to phase 1 of the work. This is an existing budget in the capital programme and the overall value of the budget is not changing but the funding is being updated based on the detail in the report.</p> |  |
| <b>RECOMMENDATIONS:</b>   |  |
| (i)   | The council continues to deliver a carbon reduction and cost saving scheme under the Corporate Assets Decarbonisation Scheme (replacement of the |

|  |       |  |
|--|-------|--|
|  |       | Clean Growth Fund) funded by Council Resources or grant funding where available.   |
|  | (ii)  | To approve spend on Phase 1 of the Corporate Asset Decarbonisation Scheme (CADS) of £3.78M within the existing Growth capital programme spread over 2 years 2021/22 (£1.78M) and 2022/23 (£2.00M). This includes £0.78M for enhancements to existing buildings and £3.00M for streetlighting improvements. This is to be funded £3.58M by Council Resources and £0.20M by grant funding. |
|  | (iii) | To approve the virement £0.20M grant funding from the Electric Vehicle Action Plan (EVAP) project to the Corporate Asset Decarbonisation Scheme.   |
|  | (iv)  | To note that due to current market conditions costs may be subject to increase. If there are cost variations the business case will be reassessed to ensure value for money before any spend is committed. Any revision to costs included in the capital programme will follow the usual Financial Procedure Rules and delegations.  |

### **REASONS FOR REPORT RECOMMENDATIONS**

|    |   |
|----|---|
| 1. | To continue a funded programme of works over 5 years to enable the council to work towards decarbonisation of its corporate assets by 2030 and reduce energy costs. |
| 2. | To reduce the Council's impact on climate change.   |

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

|    |  |
|----|--|
| 3. | Rely solely on grant funding – this was considered not feasible as grant funding cannot be guaranteed and when it is available it can have strict compliance criteria that could stifle the whole site approach to decarbonisation and energy cost saving. An example is the council would not be able to export solar PV generated power and earn an income.  |
| 4. | Do nothing approach - the council could decide to not take forward the proposed borrowing option for the energy efficiency and renewable energy measures. However, this would not meet the Climate Emergency and the related central government decarbonisation agenda. It would also put the council at significant risk associated with ongoing rises in energy costs, in addition to limiting the opportunity for the Council to grow green jobs and to grow the local economy. |

### **DETAIL (Including consultation carried out)**

|    |   |
|----|---|
| 5. | On the 16th March 2021, Salix stated that the councils match funding option to deliver the Clean Growth Fund recycling scheme would not be progressed. This was a national decision.                                |
| 6. | This is as a result of the Department for Business, Energy & Industrial Strategy (BEIS) discontinuing all funding for Salix recycling and interest free loan schemes with immediate effect.                         |
| 7. | Therefore, SCC can no longer utilise the Salix 50/50 match funded option for funding the Clean Growth Fund and the financial model presented within the cabinet paper on 15th December 2020 is no longer an option. |
| 8. | The changes from a match funded focus to a grant fund by Salix (directed by central government) meant internal changes had to be made to the decarbonisation scheme within our corporate assets.                    |
| 9. | As a result:  |

- A £1.6M Public Sector Decarbonisation Scheme (PSDS) grant has been secured that is delivering a programme of SCC corporate building based decarbonisation works within 2021-22.
- There are decarbonisation measures of £0.78M that were not supported by the PSDS grant to deliver building retrofit measures that are still beneficial to the authority.
- These measures were previously identified as part of the Clean Growth Fund and PSDS has effectively reduced the borrowing required to deliver Phase 1 CADS compared to the same measures via the Clean Growth Fund.
- The LED streetlighting project is also included in Phase 1 CADS with costs of £3.00M over 18 months, with an estimated completion in March 2023.
- Total CADS Phase 1 costs equate to £3.78M including buildings works and streetlighting.
- CADS offers clear co-benefits from decarbonisation including revenue savings over the lifetime of the measures being delivered, carbon emissions reduction to limit SCC's impact on climate change, whilst improving the assets value, performance, and operation.

## RESOURCE IMPLICATIONS

### Capital/Revenue

10. The Phase 1 related measures proposed with costs and savings are covered in Table 1 below.

**Table 1 – Phase 1 measures costs and savings**

| Area           | Measures                      | Cost<br>£000 | Estimated<br>Annual<br>Savings<br>£000 | Payback<br>(Years) | Tonnes<br>CO2<br>saved<br>per year |
|----------------|-------------------------------|--------------|--|--------------------|------------------------------------|
| Property       | Solar, LED Lighting & Battery | 709          | 71                                     | 9.9                | 119                                |
| Streetlighting | LED Upgrade                   | 3,000        | 274                                    | 10.9               | 290                                |
|                | Management Fee                | 71           |  |                    |                                    |
|                | <b>Total Phase 1</b>          | <b>3,780</b> | <b>345</b>                             |                    | <b>409</b>                         |

11. Total annual savings presented in table 1 is based on the gross savings.

12. The total cost of the measures is estimated to be £3.78M – including a management fee 10% on the buildings works only.

13. It is proposed that this will be funded primarily by borrowing but also utilises Electric Vehicle Action Plan (EVAP) grant funding, which is in the existing capital programme see Table 2. Approval is sought for a virement for the grant funding between the projects within the Growth capital programme and notes that borrowing will need to be rephased from later years. This will incur additional revenue capital financing costs in 2021/22 and 2022/23, which can be accommodated within existing budgets.

The figures in Table 2 only include the expenditure where approval to spend is requested for Phase 1. Please see Appendix 1 for information showing the overall financial expenditure and benefits that includes the PSDS grant.

|                      | <p>Table 2 – Phase 1 funding</p> <table border="1"> <thead> <tr> <th>Phase 1</th> <th>2021/22<br/>£000</th> <th>2022/23<br/>£000</th> <th>Total<br/>£000</th> <th>Source of funding</th> </tr> </thead> <tbody> <tr> <td>Capital expenditure</td> <td>1,780</td> <td>2,000</td> <td>3,780</td> <td></td> </tr> <tr> <td>Funded by:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Council Resources</td> <td>(1,580)</td> <td>(2,000)</td> <td>(3,580)</td> <td>SCC PWLB borrowing</td> </tr> <tr> <td>Grant</td> <td>(200)</td> <td></td> <td>(200)</td> <td>SCC grant funding from DEFRA (EVAP)</td> </tr> <tr> <td><b>Total funding</b></td> <td><b>(1,780)</b></td> <td><b>(2,000)</b></td> <td><b>(3,780)</b></td> <td></td> </tr> </tbody> </table>   | Phase 1         | 2021/22<br>£000 | 2022/23<br>£000                     | Total<br>£000           | Source of funding        | Capital expenditure     | 1,780                    | 2,000        | 3,780 |      | Funded by: |      |        |        |                 | Council Resources | (1,580) | (2,000) | (3,580) | SCC PWLB borrowing | Grant | (200)            |   | (200) | SCC grant funding from DEFRA (EVAP) | <b>Total funding</b> | <b>(1,780)</b> | <b>(2,000)</b> | <b>(3,780)</b>    |           |             |             |             |             |               |
|----------------------|--|-----------------|-----------------|-------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|--------------|-------|------|------------|------|--------|--------|-----------------|-------------------|---------|---------|---------|--------------------|-------|------------------|---|-------|-------------------------------------|----------------------|----------------|----------------|-------------------|-----------|-------------|-------------|-------------|-------------|---------------|
| Phase 1              | 2021/22<br>£000  | 2022/23<br>£000 | Total<br>£000   | Source of funding                   |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Capital expenditure  | 1,780  | 2,000           | 3,780           |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Funded by:           |  |                 |                 |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Council Resources    | (1,580)  | (2,000)         | (3,580)         | SCC PWLB borrowing                  |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Grant                | (200)  |                 | (200)           | SCC grant funding from DEFRA (EVAP) |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| <b>Total funding</b> | <b>(1,780)</b>   | <b>(2,000)</b>  | <b>(3,780)</b>  |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| 14.                  | <p>The revenue impact of the measures over the life of the assets is detailed in Table 3 below. Savings are forecast to be generated from 2022/23 and projected over the useful asset life of the measures. The financing costs are based on the annuity PWLB borrowing rate over 20 years for streetlighting and 25 years for the buildings which is currently at 2.11% and incorporates the annual Minimum Revenue Provision charge to the general fund associated with the borrowing. This shows that the net saving of the measures over the life of the assets is estimated to be around £2.50M after financing costs and repairs &amp; maintenance have been considered, which is less than the initial outlay.</p>  |                 |                 |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| 15.                  | <p><b>Table 3 – Revenue impacts of Phase 1</b></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23<br/>£000</th> <th>2023/24<br/>£000</th> <th>2024/25<br/>£000</th> <th>2025/26<br/>£000</th> <th>4 year<br/>total<br/>£000</th> <th>30 year<br/>total<br/>£000</th> </tr> </thead> <tbody> <tr> <td>Savings CADS</td> <td>-71</td> <td>-345</td> <td>-345</td> <td>-345</td> <td>-1,106</td> <td>-7,032</td> </tr> <tr> <td>Financing costs</td> <td>91</td> <td>215</td> <td>215</td> <td>215</td> <td>736</td> <td>4,455</td> </tr> <tr> <td>Repairs &amp; Maint.</td> <td>0</td> <td>4</td> <td>4</td> <td>4</td> <td>12</td> <td>77</td> </tr> <tr> <td><b>Net saving</b></td> <td><b>20</b></td> <td><b>-126</b></td> <td><b>-126</b></td> <td><b>-126</b></td> <td><b>-358</b></td> <td><b>-2,500</b></td> </tr> </tbody> </table> <p>NB figures are rounded</p> |                 | 2022/23<br>£000 | 2023/24<br>£000                     | 2024/25<br>£000         | 2025/26<br>£000          | 4 year<br>total<br>£000 | 30 year<br>total<br>£000 | Savings CADS | -71   | -345 | -345       | -345 | -1,106 | -7,032 | Financing costs | 91                | 215     | 215     | 215     | 736                | 4,455 | Repairs & Maint. | 0 | 4     | 4                                   | 4                    | 12             | 77             | <b>Net saving</b> | <b>20</b> | <b>-126</b> | <b>-126</b> | <b>-126</b> | <b>-358</b> | <b>-2,500</b> |
|                      | 2022/23<br>£000  | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000                     | 4 year<br>total<br>£000 | 30 year<br>total<br>£000 |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Savings CADS         | -71  | -345            | -345            | -345                                | -1,106                  | -7,032                   |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Financing costs      | 91   | 215             | 215             | 215                                 | 736                     | 4,455                    |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| Repairs & Maint.     | 0  | 4               | 4               | 4                                   | 12                      | 77                       |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| <b>Net saving</b>    | <b>20</b>  | <b>-126</b>     | <b>-126</b>     | <b>-126</b>                         | <b>-358</b>             | <b>-2,500</b>            |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| 16                   | <p>Combined <u>net</u> annual cost savings from the end of the first full year of Phase 1 would be £0.126M per annum until the first assets reach the end of their useful life. This savings figure does not include energy price inflation.</p>   |                 |                 |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| 17.                  | <p>The current gross savings that will be delivered by the installation of the Phase 1 measures is £0.345M per annum.</p>  |                 |                 |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |
| 18.                  | <p>Most of this estimated revenue saving is currently paid against the electricity bill of Marlands MSCP, OGS and streetlighting. Energy costs are predicted to double over the next 8 years resulting in revenue pressure on those sites' energy budgets would have to increase accordingly to cover the price rises. Therefore, the sooner savings can be made the smaller the impact of energy price rises will be at those sites.</p>  |                 |                 |                                     |                         |                          |                         |                          |              |       |      |            |      |        |        |                 |                   |         |         |         |                    |       |                  |   |       |                                     |                      |                |                |                   |           |             |             |             |             |               |



|   |  |
|---|--|
| 19.   | There will be a requirement to update the capital programme to reflect the changes in funding for the full CADS programme. This will be included in the capital programme budget setting to be presented to Cabinet and Council in February 2022.  |
| 20.   | As the Salix partnership model is not going ahead the funding of the scheme needs to be updated to remove the Salix contributions. Approval to spend will be sought on a phase by phase basis on the completion of a financially viable business case. Future phases of the CADS will also seek additional grant funding from relevant Government schemes as and when they are announced.  |
| 21.   | Its proposed the council deliver Phase 1 buildings work via an existing Npower decarbonisation design and build contract, which is being used to deliver the current grant funded decarbonisation project, and via the councils internal services.   |
| 22.   | The aim is to complete Phase 1 property works by March 31 <sup>st</sup> , 2022.  |
| 23.   | The Phase 1 streetlighting works will be delivered via the existing Streetlighting Contract partner SSE.   |
| 24.   | Current timeline for completion of the Phase 1 streetlighting works is by March 31 <sup>st</sup> , 2023, which is subject to review upon on site commencement of the works.  |
| <b><u>Property/Other</u></b>  |  |
| 25.   | Government is now providing full grants to the public sector via the Salix Public Sector Decarbonisation Scheme (PSDS). It is proposed that the council utilise current and upcoming phases of the PSDS grant funding to deliver heat decarbonisation measures under the CADS and continue to borrow against those decarbonisation measures that do not meet the grant compliance requirements. As PSDS is applied for competitively with all other public sector bodies there is risk that the grant will be oversubscribed. SCC has already secured £1.6 million from PSDS in February 2021 to deliver works across 7 sites, with completion date of 31 <sup>st</sup> January 2022.  |
| 26.   | Examples of measures that are unlikely to meet future PSDS grant compliance include LED lighting, solar photovoltaics (PV) or other projects that do not directly play a role in providing gas fired heating and hot water services to a building. The next round of PSDS grant funding applications opened 6 <sup>th</sup> October 2021; however, as staff have been focused on implementing the existing PSDS works, we will not have sufficient details to submit an application until the new year. We anticipate a further opportunity to submit in April and / or next autumn next year so this will not ultimately affect the pace of delivery or impact on external funding support. Central government have suggested this will be a rolling programme that we can structure a plan around. |
| <b>LEGAL IMPLICATIONS</b>   |  |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |  |
| 27.   | S1. Localism Act 2011 permits the Council to enter into the arrangements set out in the report, subject to complying with all relevant financial procedure rules.  |
| <b><u>Other Legal Implications:</u></b>                             |  |
| 28.   | The implementation of Phase 1 schemes will be subject to all necessary regulatory consents and EISA completion to meet the requirements of the Equalities Act 2010 and s.149 Public Sector Equality Duty as each proposal moves forward.   |
| <b>RISK MANAGEMENT IMPLICATIONS</b>                                 |  |

|     |  |
|-----|--|
| 29. | The key project risks have been identified as part of developing the phase 1 business case. Risks are being managed under the Councils project management process and be presented at a monthly Decarbonisation Board as part of the governance process.   |
| 30. | It is recognised that there has been some recent volatility in costs across the construction sector. The current proposals are based on costs that may be subject to change. Delivery will be subject to maintaining the same outcomes and costs assigned to the business case outlined in this paper. No costs will be incurred on the property based works until the Decarbonisation Board sign off detailed costing and delivery plan once final prices have been received. |

### **POLICY FRAMEWORK IMPLICATIONS**

|     |  |
|-----|--|
| 30. | <p>CADS is an invest to save fund that will support and deliver council outcomes in the following policies:</p> <ul style="list-style-type: none"> <li>• Southampton City Strategy 2015- 2025: delivering whole place thinking and innovation</li> <li>• Corporate plan 2020 -2025: Green City and Wellbeing (improving the energy efficiency of buildings)</li> <li>• Green City Plan 2030 - to ensure the council corporate assets and streetlighting become zero carbon by 2030. The corporate assets cover all non-domestic buildings including SCC schools and streetlighting.</li> <li>• Clean Air Strategy 2019 – 2025: promoting sustainability</li> </ul> |
|-----|--|

|                                    |  |
|------------------------------------|--|
| <b>KEY DECISION?</b>               | <b>Yes</b>   |
| <b>WARDS/COMMUNITIES AFFECTED:</b> |  |
| <u>SUPPORTING DOCUMENTATION</u>    |  |
| <b>Appendices</b>                  |  |
| 1.                                 | Appendix 1 – Current Phase 1 Buildings Decarbonisation Scheme - Example of grant funding and borrowing model |
| 2.                                 | Appendix 2 – Background – Why the Change from Clean Growth Fund to CADS                                      |
| 3.                                 | Appendix 3 Phase 1 Public Sector Decarbonisation Scheme (PSDS) Grant Funded Works                            |
| 4.                                 | Appendix 4 - Electric Vehicle Action Plan (EVAP) Funding   |

### **Documents In Members' Rooms**

|    |  |
|----|--|
| 1. |  |
| 2. |  |

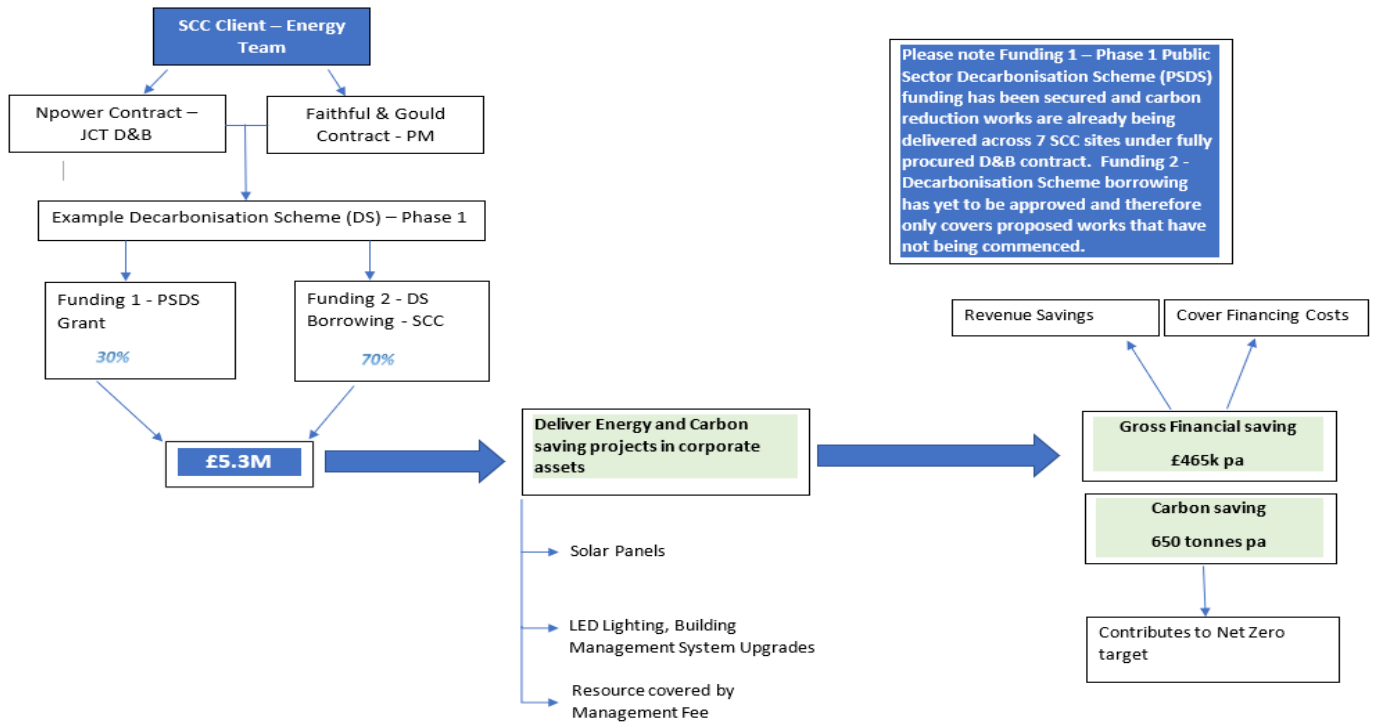
### **Equality Impact Assessment**

|   |            |
|---|------------|
| <b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b> | <b>Yes</b> |
| <b>Data Protection Impact Assessment</b>  |            |
| <b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>      | <b>No</b>  |

| <b>Other Background Documents</b>                              |   |
|--|---|
| <b>Other Background documents available for inspection at:</b> |   |
| <b>Title of Background Paper(s)</b>                            | <b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b> |
| 1.   |   |
| 2.   |   |

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### Appendix 1 – Current Phase 1 Buildings Decarbonisation Scheme - Example of grant funding and borrowing model



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### Appendix 2 – Background – Why the Change from Clean Growth Fund to CADS

1. An informal agreement (via letter) in 2019 between the council and Salix Finance Ltd covered a financial support mechanism from Salix to help the council deliver its transition to net zero carbon for the council's corporate assets. The letter proposed a £20 million fund to help meet the council's Green City commitments, 50% of which would be matched by Salix Finance Ltd. This match funding proposed using the Salix recycling fund model covered by a conditional interest free loan.
2. The council agreed to set up a Clean Growth Fund (CGF) and meet the remaining 50% capital, subject to approval to spend for each phase, which was to be based on a satisfactory business case and Salix compliance criteria being met. This £20 million Clean Growth Fund was included in the capital programme as part of the Medium Term Finance Strategy approved at full council in February 2020.
3. The CGF was set up to deliver energy efficiency and renewable energy projects within the corporate assets that meet the Salix compliance criteria. These decarbonisation works would help SCC reduce its energy revenue costs and meet its zero carbon aspirations.
4. A [Clean Growth Fund \(CGF\) Phase 1 Business Case and summary paper](#) (item 25.) was presented at Cabinet 15<sup>th</sup> December 2020, and approval to spend was authorised for Phase 1 (£1.17 million) of the Clean Growth Fund. This paper did not include the streetlighting costs as at that time of agreement an updated business case hadn't been agreed.

However, on 16<sup>th</sup> March, Salix informed Southampton City Council (SCC) that the Salix conditional interest free loan, that SCC were planning to fund 50% of the £20 million capital, is no longer available. Salix stated that the conditional loans would now be replaced by a grant funded Public Sector Decarbonisation Scheme (PSDS).

Therefore, an alternative funding solution was needed to continue the delivery of the low carbon infrastructure to achieve the council's transition to net zero carbon. Option 1 below has been proposed to replace the Clean Growth Fund.

5. In the interim, SCC successfully applied for a full £1.6 million capital grant via the Salix Public Sector Decarbonisation Scheme (PSDS) that will deliver energy efficiency and renewable energy works in 7 Southampton City Council corporate assets. Streetlighting cannot be covered by the PSDS grant as the technology does not meet the grants conditions. Some of the works being delivered by this PSDS capital grant had been approved under the Clean Growth fund Phase 1 building related works within the cabinet paper linked within Paragraph 18 above.
6. It is the remaining approved Phase 1 CGF building related works and the streetlighting LED upgrade that now require approval to spend due to the changes in the funding mechanism, which amount to £3.78M. These are works

that did not meet the conditions set out by the PSDS grant, but still have a sound business case to borrow against.

7. The delivery of the PSDS grant funded works have now been procured utilising a framework with Npower, with delivery stage contracts signed August 12<sup>th</sup>, 2021. A project management resource (Faithful & Gould) has also been secured and is being funded via the PSDS management fee, which was included within the PSDS grant fund application. PSDS measures can be seen in Appendix 3.
8. Table 8 below provides an overview of the decarbonisation projects historical timeline and projected timelines to end of 2021-22.

**Table 8 – 2020/21 Decarbonisation Project Activity Timeline**

| <b>Timeline Activity</b>   | <b>Date</b>                   |
|--|-------------------------------|
| Clean Growth Fund Phase 1 Cabinet Decision                                     | 15 <sup>th</sup> December 20  |
| Salix PSDS Grant Application Submitted   | 11 <sup>th</sup> January 21   |
| PSDS Grant Offer Letter Received from Salix                                    | 10 <sup>th</sup> February 21  |
| PSDS Added to Capital Programme & Approval to Spend at Full Council            | 24 <sup>th</sup> February 21  |
| PSDS SCC Grant Acceptance Letter Agreed, Signed, and sent to Salix             | 25 <sup>th</sup> February 21  |
| Faithful & Gould PM Resource Secured to manage Decarbonisation Works           | 15 <sup>th</sup> March 21     |
| Salix Notifies SCC of Closure of 50/50 Match Funded Recycling Scheme           | 16 <sup>th</sup> March 21     |
| Place & Finance Director's Briefed on Alternative to Salix Match Fund Closure  | 26 <sup>th</sup> March 21     |
| Decarbonisation Board Set Up & Commences 1 <sup>st</sup> Tuesday of Each Month | 6 <sup>th</sup> April 21      |
| Updated Business Case - Southampton Decarbonisation Scheme                     | 7 <sup>th</sup> April 21      |
| Npower PCSA Design Contract Agreed & Signed – Npower/Eon Lead Contractor       | 12 <sup>th</sup> April 21     |
| On Site Design Work Commences  | 14 <sup>th</sup> April 21     |
| Local Elections – Change of Administration                                     | 6 <sup>th</sup> May 21        |
| Design Report & Requirements Structure Issued to Npower by F&G                 | May 21                        |
| 1 <sup>st</sup> Draft Designs Submitted  | May 21                        |
| Technical Review and Stakeholder Briefings Commence                            | May 21                        |
| SCC Internal Stakeholder PSDS Design Pack Review Meetings Commence             | 26 <sup>th</sup> July 21      |
| Provisional JCT Delivery Contract Signing Date                                 | 2 <sup>nd</sup> August 21     |
| JCT Delivery Contract Signed   | 12 <sup>th</sup> August 21    |
| Purchase Orders Approved & Sent to Npower for PSDS works                       | 23 <sup>rd</sup> August 21    |
| Pre-Start Meetings Commence  | 31 <sup>st</sup> August 21    |
| On Site Works Commence   | 27 <sup>th</sup> September 21 |
| CADS Approval to Spend Phase 1   | November 21                   |
| PSDS Phase 1 Contract Completion Date  | 31 <sup>st</sup> January      |
| Proposed CADS Phase 1 Buildings Works Completion                               | 31 <sup>st</sup> March 21     |
| Proposed CADS Phase 1 Streetlighting Works Completion                          | 31 <sup>st</sup> March 22     |





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### Appendix 3 Phase 1 Public Sector Decarbonisation Scheme (PSDS) Grant Funded Works

| PSDS Sites                          | Capital Costs (£) |
|-------------------------------------|-------------------|
| Sea City Museum                     | 1,665,510         |
| The Quays Swimming & Diving Complex |                   |
| Civic Centre                        |                   |
| City Depot                          |                   |
| OGS                                 |                   |
| Lordshill Library                   |                   |
| Nursling                            |                   |
| <b>Total</b>                        |                   |

- Works to be delivered financial year 2021-22
- Ongoing delivery under JCT D&B contract with Npower – eon controls lead contractor.
- 248 tonnes of CO<sub>2</sub> will be saved annually based on current grid emissions factors from the above measures.



### **Appendix 4 - Electric Vehicle Action Plan (EVAP) Funding**

The EVAP fund is managed by the Sustainable Transport Team within Place Directorate.

SCC has a defined capital budget to deliver infrastructure for electric vehicle recharging both by members of the public, in our car parking assets, and at our own depots to serve the growing needs of the Councils' own fleet.

This programme of work is known as the Electric Vehicle Action Plan or EVAP for short. £200k of the EVAP budget has been ringfenced for the purpose of supplementing the CADS to enable the delivery of low carbon power generated by solar PV and backed up by battery storage to supply EV chargers within the CADS phase 1.

Due to the CADS project obtaining £200k EVAP funding there is scope to include battery storage that wouldn't ordinarily work in a purely carbon reduction business case as it is not classified as an energy reduction technology.

Battery storage will be used to shift electrical loads taken either from the solar PV generated power or power charged using cheaper night time electricity prices, to be used when electricity costs are higher e.g. during daytime and evenings. This load shifting will enable greater savings and improved management of grid based electrical demand.

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|                               |  |  |                          |
|-------------------------------|--|--|--------------------------|
| <b>DECISION-MAKER:</b>        | CABINET  |  |                          |
| <b>SUBJECT:</b>               | FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2021 |  |                          |
| <b>DATE OF DECISION:</b>      | 15 NOVEMBER 2021   |  |                          |
| <b>REPORT OF:</b>             | CABINET MEMBER FOR FINANCE & CAPITAL ASSETS                      |  |                          |
| <b><u>CONTACT DETAILS</u></b> |  |  |                          |
| <b>Executive Director</b>     | <b>Title:</b>  | Executive Director for Finance, Commercialisation & S151 Officer                         |                          |
|                               | <b>Name:</b>   | John Harrison  | <b>Tel:</b> 023 80834897 |
|                               | <b>E-mail:</b>   | <a href="mailto:John.Harrison@southampton.gov.uk">John.Harrison@southampton.gov.uk</a>   |                          |
| <b>Author:</b>                | <b>Title:</b>  | Head of Financial Planning & Management  |                          |
|                               | <b>Name:</b>   | Steve Harrison   | <b>Tel:</b> 0739 2864525 |
|                               | <b>E-mail:</b>   | <a href="mailto:Steve.Harrison@southampton.gov.uk">Steve.Harrison@southampton.gov.uk</a> |                          |

## STATEMENT OF CONFIDENTIALITY

Annex 2.2a is confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of Councils Access to Information Procedure Rules. It is not in the public interest to disclose this because doing so would prejudice the authority's ability to achieve best consideration in financing the programme.

## BRIEF SUMMARY

The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of September 2021 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2021/22 to 2025/26. It also provides an update on the impact of COVID-19 on the Council's financial position.

The deficit as outlined in this report is £7.11M for 'business as usual activities' plus a further £0.36M net budget pressure for COVID19 related spending, bringing the total to £7.47M forecast overspend as at 30th September. The main factors behind this deficit forecast are (i) a deficit of £5.62M forecast within Children's Social Care (both for BAU and COVID-19) and (ii) a deficit of £1.48M forecast within Health and Adults Social Care (Both BAU and COVID-19). Hence, in total the deficit forecast within both areas of social care is £7.10M.

The Council continues to have financial resilience overall, as a result of:

- £38.4M unallocated within the Medium term Financial Risk Reserve.
- £9.3M unallocated within the Social Care Demand Reserve.
- £8.3M unallocated on central budgets, including those for contingency and inflation. However, it should be noted the pay award remains to be settled nationally, and inflation has crept upwards in recent months adding to budget pressures, and this may reduce the available sum.

Whilst the budget pressure reported for Children's Social Care and Health and Adults are of significant concern, the Social Care Demand Reserve exists to help support the

budget pressures as set out below:

| ITEM   | £M            |
|--|---------------|
| 2021/22 - BAU deficit forecast as at 30 Sept 2021      | 7.11          |
| 2021/22 – COVID-19 deficit forecast as at 30 Sept 2021 | 0.36          |
| <b>2021/22: Total forecast deficit</b>                 | <b>7.47*</b>  |
| Current available sum in Social Care Demand Reserve    | 9.29          |
| <b>Net surplus position</b>                            | <b>(1.82)</b> |

\*Of which deficit forecast within Health & Adult Social Care and Children's Social Care totals £7.10M

The total forecast deficit, including all BAU and COVID-19 financial pressures is currently £7.47M for the whole Council. The total deficit for Health & Adult Social Care and Children's Social Care combined is similar to this overall position at £7.10M.

Allowing for a sum of £9.29M available from the Social Care Demand Reserve in 2021/22, the deficit forecast could therefore be potentially covered. There is also £8.27M remaining available within corporate budgets for contingency and inflationary pressures, but a part of this sum will be needed for the 2021 pay award which has yet to be agreed nationally.

Note also that reserve sums held are one-off and whilst unallocated cover a variety of risks. However, as shown in the table above with the Social Care Demand Reserve, as well as in total, they provide assurance that the budget pressures evident in social care and reported here, although of major concern, are manageable in-year within the council's overall resources. Nevertheless action is underway to mitigate this situation as much as possible to reduce the forecast within Children's Social Care in particular, being by far the greater part of the present deficit forecast.

An action plan has therefore been drawn up in response to the Children's Social Care budget situation, entitled "Destination 2022". The intention is to ensure adequate budget resources, including investment for staff, to ensure high levels of demand can be managed and costs reduced. The precise details of the full funding for this plan is under consideration, in terms of the extent to which it will draw on the social care demand reserve and/or the corporate contingency budget and hence this will be included in future reporting. However, an initial £1.3M is required to cater for critical staff already engaged in supporting essential services. Further staffing changes are expected, with plans in train currently estimated to cost a further potential £1.2M in a full year, as an essential part of the Destination 2022 approach. These, and the funding of other costs integral to this approach, will be set out in further reports which will also set out the longer term benefits to the service and financial savings expected to be realised and included in future budgets.

The additions made to the 2021/22 revenue budget at Council in July 2021 amounted to a net £2.13M in support of the new priorities set out by the incoming Administration



and summarised below. Council agreed that the funding for these new priorities would come from the centrally held contingency budget for 2021/22. Hence, these new and agreed priorities are not adding to the budget deficit position reported as at Quarter 2.

**RECOMMENDATIONS:**

|                                       |   |
|---------------------------------------|---|
| <b><u>General Revenue Fund</u></b>    |   |
| It is recommended that Cabinet:       |   |
| i)                                    | Notes the forecast outturn position for business as usual activities is a £7.11M deficit, as outlined in paragraph 4 and in paragraph 1 of appendix 1.  |
| ii)                                   | Notes the financial position arising from COVID-19 is a deficit of £0.36M, as outlined in paragraph 5 and in paragraph 3 of appendix 1.   |
| iii)                                  | Notes the performance of treasury management, and financial outlook in paragraphs 8 to 11 of appendix 1.  |
| iv)                                   | Notes the forecast year end position for reserves and balances as detailed in paragraphs 12 and 13 of appendix 1.   |
| v)                                    | Notes the Key Financial Risk Register as detailed in paragraph 14 of appendix 1.  |
| vi)                                   | Notes the performance against the financial health indicators detailed in paragraphs 18 and 19 of appendix 1.   |
| vii)                                  | Notes the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 23 to 26 of appendix 1.  |
| viii)                                 | Notes that Children’s Social Care continue to look at ways to mitigate the in-year deficit reported here and future year costs, as part of their Destination 2022 initiative. It is anticipated the in-year position will require use of corporately held funds via either the corporate contingency and/or the Social Care Demand Reserve, with such use being considered during quarter 3. However, Cabinet is asked to approve an initial £1.3M in 2021/22 for staffing related spend being incurred as a part of this package to ensure existing service critical posts have adequate budget provision, to be funded by the corporate contingency budget or the Social Care Demand Reserve. A final decision on the funding of this element to be delegated to the S151 officer, following consultation with the Cabinet Member for Finance and Capital Assets, with the future years financial impact arising from the Destination 2022 measures in Children’s Social Care to be included in the MTFS to be agreed in February 2022. |
| <b><u>Housing Revenue Account</u></b> |   |
| It is recommended that Cabinet:       |   |
| ix)                                   | Notes the forecast outturn position on business as usual activities is a surplus of £0.92M as outlined in paragraph 6 and paragraph 20 of appendix 1.   |
| x)                                    | Notes that a favourable variance of £0.57M is forecast arising from COVID-19, as outlined in paragraph 6 and paragraph 21 of Appendix 1.  |
| <b><u>Capital Programme</u></b>       |   |
| It is recommended that Cabinet:       |   |

|  |       |  |
|--|-------|--|
|  | xv)   | Notes the revised General Fund Capital Programme, which totals £437.08M as detailed in paragraph 1 of appendix 2.  |
|  | xii)  | Notes the HRA Capital Programme is £340.81M as detailed in paragraph 1 of appendix 2.  |
|  | xiii) | Notes that the overall forecast position for 2021/22 at quarter 2 is £174.91M, resulting in a potential surplus of £5.73M, as detailed in paragraphs 4 and 5 of appendix 2.  |
|  | xiv)  | Notes that the capital programme remains fully funded up to 2025/26 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. |
|  | xv)   | Approves slippage and rephasing of £42.63M (£10.34M of General Fund and £32.30M of HRA) as detailed in paragraph 5 and 7 of appendix 2. Noting that the movement has zero net movement over the 5-year programme.  |
|  | xvi)  | Notes that no variances are forecast arising from COVID-19 as detailed in paragraph 8 of appendix 2.   |

#### 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. | <p>The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of September 2021 and key issues are summarised in appendix 1.</p> <p>A new Corporate Plan was agreed in July, following the election of the new administration, setting out the vision of Southampton as a city of opportunity. The forecast for the revenue budget includes the additions made in-year to the budget at the 21<sup>st</sup> July Council meeting as a result of the new priorities of the incoming Administration with financing coming from corporate contingency funds. The new measures included in the current financial year:</p> <ul style="list-style-type: none"> <li>• £0.52M for the <b>Growth</b> priority, which included for example extra for pothole repair work (£0.330M), promoting home ownership (£0.50M), supporting Mayflower Park Development (£0.50M) and a transport plan that provides a range of options to travel across the city with a feasibility sum (£0.50M).</li> <li>• £1.06M for <b>Wellbeing</b>, including summer school meal provision (£0.79M), Improve our health and learning for our children and adults across the city (£0.15M) and the Leisure Strategy (£0.9M).</li> <li>• £0.42M for our <b>Greener City</b>, including clean up improvements related to parks, open spaces and the waterfront (£0.30M) and enforcement against flytipping (£0.12M).</li> <li>• £0.82M for <b>Communities, Culture and Heritage</b>, including allow residents</li> </ul> |

|   |   |
|---|---|
|   | <p>and visitors to benefit from free parking at weekends and evening (£0.41M), a community fund supporting groups coming forward with activities for younger people (£0.22M) and investment in destination management to develop tourism (£0.10M).</p> <ul style="list-style-type: none"> <li>• £0.10M for a <b>Council that works for you</b>, which cover the first year capital financing costs of a range of capital scheme initiatives including £4M for highways, £0.5M for safer streets, £0.5M for golf course improvements and £0.25M for green flag improvement to parks.</li> </ul> <p>The above proposals, and others, are set out in full in the report to July 2021 Council meeting, and were agreed to be met from the corporate contingency budget.</p> <p>The Council also continues to receive major sums of money in grant in support of the additional costs the Council and local community has experienced from COVID. These sums either help SCC directly or are for SCC to administer and help third parties. They total £199M over this year and last year and are listed at Annexe 1.2.</p> |
| 4.  | The current forecast spending on business as usual activities against the council's net General Fund revenue budget for the year of £173.85M is projected to be a £7.11M deficit. The position has worsened by £4.42M compared to the position as at the end of quarter 1.  |
| 5.  | The forecast General Fund variance relating to COVID-19 pandemic budgets as at the end of September 2021 is a deficit of £0.36M. The position has worsened by £0.40M compared to the position as at the end of quarter 1.   |
| 6.  | The forecast position for the HRA on business as usual activities is a surplus of £0.92M against an expenditure budget of £75.87M. The position has worsened by £0.19M compared to the position at the end of quarter 1. There is a forecast surplus of £0.57M relating to the COVID-19 pandemic for the HRA, no change to the position as at the end of quarter 1.   |
|   | <b><u>Capital</u></b>   |
| 7.  | Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2021/22 to 2025/26, highlighting the changes in the programme since the last reported position in August 2021. The report also notes the major forecast variances against the approved estimates.  |
| 8.  | The current forecast position for 2021/22 at quarter 2 is £174.91M, resulting in a potential surplus of £5.73M, as detailed in paragraphs 4 and 5 of appendix 2.  |
| <b>RESOURCE IMPLICATIONS</b>  |   |
| <b><u>Capital/Revenue</u></b>                                       |   |
| 9.  | The revenue and capital implications are contained in the report.   |
| <b><u>Property/Other</u></b>  |   |
| 10.   | There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report.  |
| <b>LEGAL IMPLICATIONS</b>   |   |
| <b><u>Statutory power to undertake proposals in the report:</u></b> |   |
| 11.   | Financial reporting is consistent with the Section 151 Officer's duty to ensure good  |

|   |   |
|---|---|
|   | financial administration within the Council.  |
| <b><u>Other Legal Implications:</u></b> |   |
| 12.                                     | None.   |
| <b>RISK MANAGEMENT IMPLICATIONS</b>     |   |
| 13.                                     | See comments within report.   |
| <b>POLICY FRAMEWORK IMPLICATIONS</b>    |   |
| 14.                                     | The update of the Capital Programme forms part of the overall Budget Strategy of the Council. |
|   |   |

**KEY DECISION?** No

|                                    |     |
|------------------------------------|-----|
| <b>WARDS/COMMUNITIES AFFECTED:</b> | 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 2021/22, Medium Term Financial Forecast 2021/22 to |  |
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|    | 2024/25 and Capital Programme 2020/21 to 2025/26 (Council 24 February 2021) |  |
| 2. |   |  |

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# Agenda Item 15

## Appendix 1

### REVENUE FINANCIAL MONITORING FOR THE PERIOD TO SEPTEMBER 2021

#### FINANCIAL POSITION

1. The current forecast spending against the Council's net General Fund revenue budget on business as usual (BAU) activities for the year is projected to be a £7.11M deficit. The forecast for portfolios net expenditure has worsened by £4.42M compared to the position as at the end of quarter 1. The BAU financial position is summarised in Table 1 below.

**Table 1 – General Revenue Fund Business as Usual Forecast 2021/22**

|                                | Budget<br>Qtr 2<br>£M | BAU<br>Annual<br>Forecast<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 1<br>£M | BAU<br>Variance<br>Movement<br>from Qtr 1<br>£M |
|--------------------------------|-----------------------|--|--|--|---|
| Portfolios Net Expenditure     | 214.86                | 221.97                                   | 7.11 A                                     | 2.69 A                                     | 4.42 A  |
| Non-Portfolio Net Expenditure  | (41.01)               | (41.01)                                  | 0.00                                       | 0.00                                       | 0.00  |
| <b>Net Revenue Expenditure</b> | <b>173.85</b>         | <b>180.96</b>                            | <b>7.11 A</b>                              | <b>2.69 A</b>                              | <b>4.42 A</b>                                   |
| Financing                      | (173.85)              | (173.85)                                 | 0.00                                       | 0.00                                       | 0.00  |
| <b>(SURPLUS) /<br/>DEFICIT</b> | <b>0.00</b>           | <b>7.11 A</b>                            | <b>7.11 A</b>                              | <b>2.69 A</b>                              | <b>4.42 A</b>                                   |

NB Numbers are rounded

2. The most significant adverse variance on business as usual activities is for the Children's Social Care portfolio, which is forecast to be in deficit by £5.92M, an increase of £4.40M from quarter 1. This deficit relates mainly to Looked After Children Provision, with increased numbers and cost of residential placements and higher numbers of Special Guardianship Orders. The budget pressure in Children's Services continues to be of concern and at around 12% of the total Portfolio budget represents a major pressure.
- The situation with Children's services to an extent reflects national budget pressures, with many local authorities reporting a similar situation, but the demands faced in Southampton are particularly acute. Any persistent deficit will need to be covered by reserves or corporate contingency funds which would therefore impact on the council's future financial resilience. Plans to mitigation and reduce this budget deficit have therefore been drawn up and are being implemented by Children's Services and the financial position will be regularly monitored. A decision will be taken during the next quarter on deploying the use of reserves and/or contingency funds to mitigate the deficit within Children's Services, but there is a need to earmark funds in support of staffing now and also changes which will help maintain services and lead to longer term savings being realised through demand management as well as improvement to management and monitoring of high cost cases. To this end, an additional £1.3M will

be used now, funded either via corporate contingency budget or via the social care demand reserve, to support staffing costs incurred as part of a package of measures called “Destination 2022” which will underpin the future direction of Children’s Services.

3. The current forecast variance due to COVID-19 is a £0.36M adverse variance, a worsening of £0.40M compared to the position as at the end of quarter 1. The COVID-19 financial position is summarised in Table 2 below.

**Table 2 – General Revenue Fund Forecast COVID-19 Variance 2021/22**

|                                | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>COVID<br/>Variance<br/>Movement<br/>from Qtr 1<br/>£M</b> |
|--------------------------------|---|---|--|
| Portfolios Net Expenditure     | 1.86 A  | 1.03 A  | 0.83 A   |
| Non-Portfolio Net Expenditure  | 0.00  | 0.00  | 0.00   |
| <b>Net Revenue Expenditure</b> | <b>1.86 A</b>   | <b>1.03 A</b>   | <b>0.83 A</b>  |
| Financing                      | 1.50 F  | 1.08 F  | 0.42 F   |
| <b>(SURPLUS) / DEFICIT</b>     | <b>0.36 A</b>   | <b>0.04 F</b>   | <b>0.40 A</b>  |

NB Numbers are rounded

4. The budget agreed by Council in February 2021 included provision for expected pressures from COVID-19 related additional expenditure and income losses. The most significant adverse variance for COVID-19 is in the Finance portfolio, which is forecasting a COVID-19 deficit of £1.06M, most of which is reduced income attributable to court fees (with the courts only re-opening in August). The Council is expecting to receive a total of £1.50M of fees and charges losses compensation plus grant income for new duties carried out as a result of COVID-19, which will help to lower the shortfall to an estimated £0.36M.

5. More detail, including explanations of significant movements in variances between quarter 1 and quarter 2 (in excess of £0.2M) is provided in Annex 1.1.

6. In June 2020, Council agreed that in order to help respond quickly to the pandemic, agreeing significant grants and associated spending could be delegated to the S151 officer, following consultation with senior members of the Cabinet. Annex 1.2 reports on all grants received which are COVID-19 related, for information.

**Implementation of Savings Proposals**

7. Of the £10.77M savings plans included within the 2021/22 budget £9.52M have been achieved or are on track to be achieved before the end of this financial year. £0.38M of the remaining £1.25M have not been progressed because of the COVID-19 pandemic and are included within the COVID forecast variance reported in Table 2 above.



|     |  |
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|     | <b><u>Treasury Management</u></b>  |
| 8.  | <p>Treasury Management borrowing and investment balances as at 30 September 2021 and forecasts for the year-end are set out in Annex 1.3. 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 £184.14M for 2021/22. This will change throughout 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 £16.54M of which £5.06M 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>   |
| 9.  | <p>Although we currently do not have any short term debt, we anticipate borrowing before year end to replace maturing long term debt, expected reduction in reserves and to fund the forecast capital programme for the year, until a decision is taken with regards to long term borrowing. Any increase in short term borrowing costs will be offset by a reduction in long term costs. This is later than previously reported as cash flows have remained higher than expected.</p>   |
| 10. | <p>The Council will continue to monitor the impact of COVID-19 on financial markets and provide updates via the Treasury Management reports to Governance Committee.</p>   |
| 11. | <p>Annex 1.3 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 2021. The Council has operated within the agreed prudential indicators for the first 6 months of the year and is forecast to do so for the remainder of the year.</p>   |
|     | <b><u>Reserves &amp; Balances</u></b>  |
| 12. | <p>The General Fund Balance is currently £10.07M with no planned drawdown during the year.</p>   |
| 13. | <p>At the 31 March 2021, earmarked revenue reserves totalled £130.38M, plus Schools Balances totalling £4.17M. The balance at 31 March 2021 included revenue grants totalling £35.04M carried forward via the Revenue Grants Reserve - General, predominantly relating to COVID-19, which are expected to be used in 2021/22. The estimated forecast position as at the 31 March 2022 is £66.60M, plus Schools Balances forecast to be £2.30M (excluding the £1M deficit for the newly converted Academy noted in paragraph 15). The council holds a Medium Term Financial Risk Reserve (MTFR), 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 MTFR reserve is currently estimated as having a £38.41M balance unallocated. This reserve is also important as it creates capacity for transformation and invest to save measures and therefore enhances our financial resilience and sustainability.</p> |
|     | <b><u>Key Financial Risks</u></b>  |
| 14. | <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 from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 1.4.</p>   |

|     |   |
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|     | <b><u>Schools</u></b>   |
| 15. | <p>As at 30 September 2021 there were 13 schools reporting a deficit balance totalling £3.2M Added to this, one school became an Academy on 1 September 2021, with a deficit of around £1M which will need to be covered by the Council under Government regulations and is included in the forecast use of corporate reserves. The total of deficits at quarter 2, including that of the new Academy school, is therefore around £4.2M, which compares with a forecast of £4.2M at the end of quarter 1.</p> <p>There are 30 schools reporting a surplus totalling £5.5M. The net position is therefore an overall surplus of £1.3M for schools, including the deficit from the Academy transfer.</p> <p>Two schools have been issued with notices of concern regarding their budget position. One has revised their budget to reduce the forecast deficit and the second is requiring the support of education and finance due to senior leadership changes. These schools will be carefully monitored and further actions cannot be ruled out to ensure improved financial management.</p> <p>All schools with deficit budgets continue to be supported by the Education Finance Team to develop Deficit Recovery Plans (DRP).</p>   |
| 16. | 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 with significant COVID-19 pressures.   |
|     | <b><u>Dedicated Schools Grant (DSG) 2021/22</u></b>   |
| 17. | <p>The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of September 2021 is a £8.85M deficit, which includes £0.15M for COVID-19 related pressures. The DSG Grant is ring-fenced and the deficit will not impact on the General Fund and non-school services the council provides.</p> <p>This deficit is being driven by significant year on year annual increases in the number and complexity of Education Health Care Plans (EHCPs) and increasing numbers of pupils with Special Educational Needs and Disability (SEND) being placed in expensive out of city placements in independent school settings. A working party commenced a strategic review of High Needs activity to manage SEND demand and is increasing pupil capacity within the City to avoid external placements, with provision within the General Fund capital programme related to this. The variance includes a brought forward deficit of £8.9M from the previous year, of which £8.0M is High Needs and £0.9M is from the impact of COVID-19 and lost fee income on Early Years. Pressures on the High Needs services is a nationally recognised issue with significant pressures reported in most local authorities as a result of historical grant funding allocations not having kept pace with the significant demand increases in the number and complexity of children with SEND. The 12% increase in High Needs funding in 2021/22 and a £0.23M transfer from the schools block will mitigate some of the pressure being experienced but further work is needed to reduce costs where possible.</p> |
|     | <b><u>Financial Health Indicators</u></b>   |
| 18. | 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 1.5 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further  |

action may be required.

19. For Income Collection, the average day sales outstanding has increased from the quarter 1 position, mainly for Adult Social Care and commercial debt, where collection rates have slowed. This could well be the result of a temporary spike in the first quarter of customers paying debt that had accumulated during lockdown following the reopening of businesses. As things return to normal we are seeing the collection rate return to normal, thus an increase in the outstanding balances on some of these accounts.

The Creditor Payments figure shows the average for the quarter, actual performance for September 2021 was 89.03%. Opportunities to further increase consolidated invoicing to improve processing and approval times are being explored, along with continuing to remind managers to approve invoices in a timely fashion. A bi-weekly report is now being used to engage with users who have approvals and goods receipts notes that are outstanding for more than 30 days.

**Housing Revenue Account**

20. The current forecast position for the Housing Revenue Account on business as usual (BAU) activities for the year is projected to be a surplus of £0.92M. The forecast has worsened by £0.19M compared to the position as at the end of quarter 1. The BAU financial position is summarised in Table 3 below.

**Table 3 – Housing Revenue Account Business as Usual Forecast 2021/22**

|                                | <b>Budget<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Annual<br/>Forecast<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from Qtr 1<br/>£M</b> |
|--------------------------------|--------------------------------|---|---|---|--|
| Expenditure                    | 75.87                          | 74.73   | 1.14 F  | 1.11 F  | 0.03 F   |
| Income                         | (75.87)                        | (75.65)   | 0.22 A  | 0.00  | 0.22 A   |
| <b>(SURPLUS) /<br/>DEFICIT</b> | <b>0.00</b>                    | <b>0.92 F</b>                                       | <b>0.92 F</b>   | <b>1.11 F</b>   | <b>0.19 A</b>  |

NB Numbers are rounded

21. The current HRA forecast variance due to COVID-19 is a 0.57M favourable variance, which is no change compared to the position as at the end of quarter 1. The COVID-19 financial position is summarised in Table 4 below.

**Table 4 – Housing Revenue Account Forecast COVID-19 Variance 2021/22**

|                            | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>COVID<br/>Variance<br/>Movement<br/>from Qtr 1<br/>£M</b> |
|----------------------------|---|---|--|
| Expenditure                | 0.57 F  | 0.57 F  | 0.00   |
| Income                     | 0.00  | 0.00  | 0.00   |
| <b>(SURPLUS) / DEFICIT</b> | <b>0.57 F</b>   | <b>0.57 F</b>   | <b>0.00</b>  |

NB Numbers are rounded

22. Further details, including explanations of significant movements in variances between quarter 1 and quarter 2 (in excess of £0.2M) are provided in Annex 1.6.

**Collection Fund**

23. Annex 1.7 shows the forecast outturn position for the Collection Fund at quarter 2, with the position summarised in Table 5.

**Table 5 – Collection Fund Forecast 2021/22**

|  | <b>Council<br/>Tax<br/>£M</b> | <b>Business<br/>Rates<br/>£M</b> | <b>Total<br/>£M</b> |
|--|-------------------------------|----------------------------------|---------------------|
| Contribution to previous years' estimated deficit  | (2.60)                        | (52.31)                          | (54.91)             |
| Net income and expenditure for 2021/22   | (1.59)                        | 20.01                            | 18.41               |
| <b>Surplus for the year</b>  | <b>(4.19)</b>                 | <b>(32.30)</b>                   | <b>(36.50)</b>      |
| Deficit brought forward from 2020/21   | 1.18                          | 50.68                            | 51.86               |
| <b>Overall Deficit/(Surplus) Carried Forward</b>   | <b>(3.01)</b>                 | <b>18.38</b>                     | <b>15.36</b>        |
| <b>SCC Share of Deficit/(Surplus)</b>  | <b>(2.55)</b>                 | <b>9.01</b>                      | <b>6.45</b>         |
| Less: SCC additional Government Grant for business rates reliefs   |                               | (12.54)                          | (12.54)             |
| <b>SCC Net Share of Deficit/(Surplus) after additional Government Grant</b>  | <b>(2.55)</b>                 | <b>(3.53)</b>                    | <b>(6.09)</b>       |
| Less: Estimated 2020/21 in-year deficit spread into 2023/24  | (0.22)                        | (0.98)                           | (1.20)              |
| <b>SCC Net Share of Deficit/(Surplus) after additional Government Grant to be taken into account in 2022/23 budget setting</b> | <b>(2.77)</b>                 | <b>(4.51)</b>                    | <b>(7.29)</b>       |

NB Numbers are rounded

24. The position on the Collection Fund as a whole is a deficit to be carried forward of £15.36M before extra Government grant. The deficit primarily relates to the

|     |  |
|-----|--|
|     | <p>Government's continuation of the business rates expanded retail and nursery discount schemes (100% relief for April – June 2021 and 66% relief for the remainder of the year), a total of £25.25M additional relief compared to the original estimate. These additional reliefs are being funded in full by Government grant. Without these additional reliefs there would have been a surplus for the year. This forecast is based on bills raised for 2021/22 as at the end of September 2021. The overall deficit has reduced by £6.23M compared to the position at quarter 1. This is largely due to a reduction in retail relief as some businesses are opting out of the relief scheme. As the retail reliefs are grant funded there has been a corresponding reduction in the forecast grant receivable.</p>   |
| 25. | <p>The table shows the net impact for SCC only as a forecast surplus of £6.09M, once the additional Government grant for extra business rates reliefs is factored in. This is a £0.44M improvement compared to the forecast at quarter 1. The surplus is a combination of a lower deficit being carried forward from 2020/21 into 2021/22 than had been estimated in January 2021 and better in-year performance due to fewer working age local council tax support claimants, less empty property business rates reliefs and a reduction in the amount required to be set aside for business rates appeals compared with what had been estimated. There is still uncertainty as to what effect, if any, the ending of the furlough scheme may have and also if other economic factors such as energy price increases and higher inflation will have an impact on Collection Fund performance. As a risk area to the SCC budget, financial trends will be carefully monitored.</p>   |
| 26. | <p>To reduce the financial impact in 2021/22 of exceptional losses arising in 2020/21 due to the COVID-19 pandemic, the government made regulations to require 2020/21 in-year deficits to be spread over 3 years. For SCC this means £1.20M of the deficit brought forward from 2020/21 is being carried over into 2023/24 and does not form part of the Collection Fund surplus/deficit to be taken into account in setting the 2022/23 budget.</p>  |
|     | <p><b>Conclusion and Outlook</b></p>   |
| 27. | <p>This is the second report on our financial forecast for 2021/22 and we continue to separate the variances arising from the COVID-19 pandemic from those for business as usual (BAU) activities to enable a clearer view of the financial impact of the pandemic.</p> <p>The Council continues to face significant financial pressure on BAU, much of it related to demand and cost pressures across social care, but particularly Children's services. This is a major contributing factor behind a £7.11M adverse variance forecast for the year as at quarter 2 for BAU.</p> <p>The on-going response to and recovery from the COVID-19 pandemic continues to be a major issue, both in terms of the Council's service provision, but also as a convenor and enabler of local partners, to ensure the best use of resources and improved outcomes for residents and communities. Budgetary pressure also continues to arise due to the pandemic, which is separately identified above and shows an adverse variance of £1.86M for portfolios. Losses of parking revenue, toll bridge fees and income from court cases to recover council tax and business rates are substantial factors behind the adverse variance. After allowing for the Government compensation and support for the extra administrative costs for dealing with COVID-19, estimated at £1.50M of funding, the net COVID-19 variance is estimated as £0.36M Adverse. Government's scheme of compensation for fees and charges income lost due to</p> |

COVID-19 ceased at the end of quarter 1, so any additional forecast reductions, over and above those currently factored into estimates, will produce a worsening forecast for the Council.

At a national level, the last quarter saw an announcement by Government on future funding for Adults Social Care. The Government paper highlights the government's plans for health care and adult social care along with details of the £12 billion for Health and Social Care per annum over the next 3 years. Within the paper there is a focus on tackling the backlog of medical care as a result of the pandemic. Whilst the intention to limit the costs of social care provision for those needing care is clear, the financial impact for local authorities and associated funding remains as yet unclear. We await any further details.

At the time of writing the Spending Review has just been announced on 27 October 2021, the outcome of which is still being analysed. A key headline is an additional £4.8bn in grant for local authorities over 3 years. However, an element of this will be needed for extra costs (such as the increase in National Insurance), and we have no details on what the Spending Review means for funding provided to local authorities from 1 April 2022. We will need to await the local government finance settlement in December for more information.

Pay award negotiations for 2021 continue, with the offer of a 1.75% increase being rejected by Trade Unions. A 0.5% assumption was made for pay, and provision set aside within centrally held budgets. Any agreement over this sum will be an additional cost strain, funded from centrally held budgets.

The Council is currently in a solvent position, however, the impact of the pandemic and demand in social care represents major risks. The forecast included in this quarterly report highlights the very major risks experienced from a strong demand level currently being experienced with Children's Services. Plans have been drawn up to mitigate this budget pressure, including baseline data and targets with milestones and clear accountability assigned for delivery. This plan will be regularly monitored to confirm delivery and allow for further corrective action if the situation does not improve as expected.

## **Annexes**

1. General Revenue Fund Forecast Qtr 2 2021/22
2. COVID-19 Government Grants
3. Treasury Management Qtr 2 2021/22
4. Key Financial Risk Register Qtr 2 2021/22
5. Health Indicators Qtr 2 2021/22
6. HRA Forecast Qtr 2 2021/22
7. Collection Fund Qtr 2 2021/22

# Agenda Item 15

## Appendix 2

### OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR 2021/22

A summary of the business as usual (BAU) forecast for quarter 2 2021/22 and movement since quarter 1 is shown in the following table:

| Portfolio                         | Budget<br>Qtr 2<br>£M | BAU<br>Annual<br>Forecast<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 1<br>£M | BAU<br>Variance<br>Movement<br>from Qtr 1<br>£M |
|-----------------------------------|-----------------------|--|--|--|---|
| Children's Social Care            | 50.23                 | 56.15                                    | 5.92 A                                     | 1.52 A                                     | 4.40 A  |
| Communities, Culture & Heritage   | 12.74                 | 12.62                                    | 0.12 F                                     | 0.14 F                                     | 0.02 A  |
| Customer Service & Transformation | 46.34                 | 47.28                                    | 0.94 A                                     | 0.87 A                                     | 0.07 A  |
| Education                         | 6.74                  | 6.78                                     | 0.04 A                                     | 0.05 F                                     | 0.09 A  |
| Environment                       | 1.58                  | 1.47                                     | 0.12 F                                     | 0.00                                       | 0.12 F  |
| Finance & Capital Assets          | 2.02                  | 2.08                                     | 0.06 A                                     | 0.01 F                                     | 0.07 A  |
| Growth                            | 7.06                  | 5.98                                     | 1.08 F                                     | 0.04 F                                     | 1.04 F  |
| Health & Adult Social Care        | 82.89                 | 84.35                                    | 1.46 A                                     | 0.44 A                                     | 1.02 A  |
| Leader                            | 5.27                  | 5.26                                     | 0.01 F                                     | 0.10 A                                     | 0.11 F  |
| <b>Total Portfolios</b>           | <b>214.86</b>         | <b>221.97</b>                            | <b>7.11 A</b>                              | <b>2.69 A</b>                              | <b>4.42 A</b>                                   |
| Levies & Contributions            | 0.09                  | 0.09                                     | 0.00                                       | 0.00                                       | 0.00  |
| Capital Asset Management          | 7.95                  | 7.95                                     | 0.00                                       | 0.00                                       | 0.00  |
| Other Expenditure & Income        | (49.05)               | (49.05)                                  | 0.00                                       | 0.00                                       | 0.00  |
| <b>Net Revenue Expenditure</b>    | <b>173.85</b>         | <b>180.96</b>                            | <b>7.11 A</b>                              | <b>2.69 A</b>                              | <b>4.42 A</b>                                   |
| Council Tax                       | (103.68)              | (103.68)                                 | 0.00                                       | 0.00                                       | 0.00  |
| Business Rates                    | (26.56)               | (26.56)                                  | 0.00                                       | 0.00                                       | 0.00  |
| Non-Specific Government Grants    | (43.61)               | (43.61)                                  | 0.00                                       | 0.00                                       | 0.00  |
| <b>Total Financing</b>            | <b>(173.85)</b>       | <b>(173.85)</b>                          | <b>0.00</b>                                | <b>0.00</b>                                | <b>0.00</b>                                     |
| <b>(SURPLUS) / DEFICIT</b>        | <b>0.00</b>           | <b>7.11</b>                              | <b>7.11 A</b>                              | <b>2.69 A</b>                              | <b>4.42 A</b>                                   |

NB Numbers are rounded

The forecast variance due to COVID-19 as at quarter 2 2021/22 and movement since quarter 1 is shown in the table below:

| <b>Portfolio</b>                  | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>COVID<br/>Variance<br/>Movement<br/>from Qtr 1<br/>£M</b> |
|-----------------------------------|---|---|--|
| Children's Social Care            | 0.30 F  | 0.37 F  | 0.07 A   |
| Communities, Culture & Heritage   | 0.03 A  | 0.16 A  | 0.13 F   |
| Customer Service & Transformation | 0.21 A  | 0.08 A  | 0.13 A   |
| Education                         | 0.02 A  | 0.02 A  | 0.00   |
| Environment                       | 0.03 A  | 0.07 A  | 0.04 F   |
| Finance & Capital Assets          | 1.06 A  | 0.12 A  | 0.94 A   |
| Growth                            | 0.77 A  | 0.71 A  | 0.06 A   |
| Health & Adult Social Care        | 0.02 A  | 0.23 A  | 0.21 F   |
| Leader                            | 0.03 A  | 0.03 A  | 0.00   |
| <b>Total Portfolios</b>           | <b>1.86 A</b>   | <b>1.03 A</b>   | <b>0.83 A</b>  |
| Levies & Contributions            | 0.00  | 0.00  | 0.00   |
| Capital Asset Management          | 0.00  | 0.00  | 0.00   |
| Other Expenditure & Income        | 0.00  | 0.00  | 0.00   |
| <b>Net Revenue Expenditure</b>    | <b>1.86 A</b>   | <b>1.03 A</b>   | <b>0.83 A</b>  |
| Council Tax                       | 0.00  | 0.00  | 0.00   |
| Business Rates                    | 0.00  | 0.00  | 0.00   |
| Non-Specific Government Grants    | 1.50 F  | 1.08 F  | 0.42 F   |
| <b>Total Financing</b>            | <b>1.50 F</b>   | <b>1.08 F</b>   | <b>0.42 F</b>  |
| <b>(SURPLUS)/DEFICIT</b>          | <b>0.36 A</b>   | <b>0.04 F</b>   | <b>0.40 A</b>  |

NB Numbers are rounded



## EXPLANATIONS BY PORTFOLIO

### 1. CHILDREN'S SOCIAL CARE PORTFOLIO

#### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a deficit of **£5.92M** for business as usual (BAU) activities, which represents a percentage variance against budget of 11.8%. The Portfolio forecast variance has moved adversely by **£4.40M** from the position reported at quarter 1.

In addition, there is a **£0.30M** surplus on the COVID-19 pandemic budget, an adverse movement of £0.07M from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>5.92 A</b>                                 | <b>1.52 A</b>                                 | <b>4.40 A</b>                             | <b>11.8</b>            |
| COVID-19 Pandemic                          | <b>0.30 F</b>                                 | <b>0.37 F</b>                                 | <b>0.07 A</b>                             |                        |
| <b>Total</b>                               | <b>5.62 A</b>                                 | <b>1.15 A</b>                                 | <b>4.47 A</b>                             |                        |

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

| <b>Service Area</b>                              | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|--|---|---|--|
| Looked After Children                            | 4.39 A  | 1.52 A  | 2.87 A   |
| Multi Agency Safeguarding Hub & Children in Need | 0.34 A  | 0.00  | 0.34 A   |
| Prevention & Inclusion Service                   | 0.18 A  | 0.00  | 0.18 A   |
| Quality Assurance Business Unit                  | 0.21 A  | 0.00  | 0.21 A   |
| Specialist Core Services                         | 0.87 A  | 0.00  | 0.87 A   |
| Other  | 0.07 F  | 0.00  | 0.08 F   |
| <b>Total</b>                                     | <b>5.92 A</b>   | <b>1.52 A</b>   | <b>4.40 A</b>  |

**The SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio are:**

| Service Area                                     | Movement in BAU Forecast Variance Between Qtr 1 and Qtr 2<br>£M | Explanation:  |
|--|---|---|
| Looked After Children                            | 2.87 A  | <p>The numbers and cost of Residential and Independent Fostering (IFA) placements within the service has continued to increase. Additionally, there has been a review of the current spend of the in house fostering payments. These have led to an adverse forecast increase for these placements of £1.0M.</p> <p>Additionally, the placement costs within the Pathways Team have also continued to increase due to increased demand and this has led to an adverse forecast for the year of £0.56M.</p> <p>There is also an adverse variance of £1.31M following a review of the disability JIGSAW spend against budget where there have been new residential cases and increases in current case costs, as well as spend related to unfunded service critical posts that are being addressed as part of the Destination 22 restructure.</p> |
| Multi Agency Safeguarding Hub & Children in Need | 0.34 A  | <p>The numbers of agency staff within this service has not been reducing as quickly as forecast due to demand in this service from case numbers and complexity and this has resulted in a yearly forecasted adverse variance of £0.34M.</p>   |
| Quality Assurance Business Unit                  | 0.21 A  | <p>The adverse forecast movement of £0.21M relates to additional staffing costs. Of this amount, £0.15M relates to 3 fixed term posts recruited to manage critical demands within the Quality Assurance team. Additionally, further costs of £0.06M have been identified following a review of the agency spend against budget covering posts across this service.</p>  |
| Specialist Core Services                         | 0.87 A  | <p>There have been demand increases of £0.87M in temporary accommodation and other preventative spend within the Protection and Court Team (PACT) to assist children and families within the city.</p>  |

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b>   | <b>COVID Forecast Variance</b> | <b>COVID Forecast Variance</b> | <b>COVID Variance Movement from Qtr 1</b> |
|-----------------------|--------------------------------|--------------------------------|---|
|                       | <b>Qtr 2<br/>£M</b>            | <b>Qtr 1<br/>£M</b>            | <b>Qtr 1<br/>£M</b>                       |
| Looked After Children | 0.30 F                         | 0.37 F                         | 0.07 A                                    |
| <b>Total</b>          | <b>0.30 F</b>                  | <b>0.37 F</b>                  | <b>0.07 A</b>                             |

The are no SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Portfolio.

## **2. COMMUNITIES, CULTURE & HERITAGE PORTFOLIO**

### **KEY REVENUE ISSUES – QUARTER 2 2021/22**

The Portfolio is currently forecast to have a surplus of **£0.12M** for business as usual (BAU) activities, which represents a percentage variance against budget of 0.8%. The Portfolio forecast variance has moved adversely by **£0.02M** from the position reported at quarter 1.

In addition, there is a **£0.03M** deficit on the COVID-19 pandemic budget, a favourable movement of £0.12M from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>0.12 F</b>                                 | <b>0.14 F</b>                                 | <b>0.02 A</b>                             | <b>0.8%</b>            |
| COVID-19 Pandemic                          | <b>0.03 A</b>                                 | <b>0.16 A</b>                                 | <b>0.12 F</b>                             |                        |
| <b>Total</b>                               | <b>0.09 F</b>                                 | <b>0.02 A</b>                                 | <b>0.11 F</b>                             |                        |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 1 is shown in the table below:

| <b>Service Area</b>               | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|-----------------------------------|---|---|--|
| Cultural Services                 | 0.10 A  | 0.00  | 0.10 A   |
| Grants to Voluntary Organisations | 0.08 F  | 0.00  | 0.08 F   |
| Stronger Communities              | 0.14 F  | 0.14 F  | 0.00   |
| <b>Total</b>                      | <b>0.12 F</b>   | <b>0.14 F</b>   | <b>0.02 A</b>  |

**There were no SIGNIFICANT business as usual movements between Quarter 1 and Quarter 2 for the Portfolio.**

A summary of the Portfolio COVID-19 forecast variance and movement since Quarter 1 is shown in the table below:

| <b>Service Area</b>    | <b>COVID Forecast Variance Qtr 2 £M</b> | <b>COVID Forecast Variance Qtr 1 £M</b> | <b>COVID Variance Movement from Qtr 1 £M</b> |
|------------------------|---|---|--|
| Private Sector Housing | 0.06 A                                  | 0.06 A                                  | 0.00   |
| Cultural Services      | 0.03 F                                  | 0.10 A                                  | 0.12 F                                       |
| <b>Total</b>           | <b>0.03 A</b>                           | <b>0.16 A</b>                           | <b>0.12 F</b>                                |

**There were no SIGNIFICANT COVID-19 variance movements between Quarter 1 and Quarter 2 for the Portfolio.**

### 3. CUSTOMER SERVICE & TRANSFORMATION PORTFOLIO

#### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a deficit of **£0.94M** for business as usual (BAU) activities, which represents a percentage variance against budget of 2.0%. The Portfolio forecast variance has moved adversely by **£0.07M** from the position reported at quarter 1.

In addition, there is a **£0.21M** deficit on the COVID-19 pandemic budget, an adverse movement of £0.13M from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | 0.94 A  | 0.87 A  | 0.07 A                                    | <b>2.0</b>             |
| COVID-19 Pandemic                          | 0.21 A  | 0.08 A  | 0.13 A                                    |                        |
| <b>Total</b>                               | <b>1.15 A</b>                                 | <b>0.95 A</b>                                 | <b>0.20 A</b>                             |                        |

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

| <b>Service Area</b>                        | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|--|---|---|--|
| Business Support                           | 0.25 A  | 0.25 A  | 0.00   |
| IT Services                                | 0.30 A  | 0.30 A  | 0.00   |
| Supplier Management                        | 0.18 A  | 0.00  | 0.18 A   |
| Registration of Electors & Elections Costs | 0.13 F  | 0.14 F  | 0.01 A   |
| City Services – Commercial Services        | 0.10 A  | 0.06 A  | 0.04 A   |
| City Services – District Teams             | 0.23 A  | 0.22 A  | 0.01 A   |
| City Services – Waste Operations           | 0.28 A  | 0.06 A  | 0.22 A   |
| Green City & Place Trading                 | 0.24 F  | 0.06 A  | 0.30 F   |
| Other                                      | 0.03 F  | 0.06 A  | 0.09 F   |
| <b>Total</b>                               | <b>0.94 A</b>   | <b>0.87 A</b>   | <b>0.07 A</b>  |

**The SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio are:**

| Service Area                     | Movement in BAU Forecast Variance Between Qtr 1 and Qtr 2<br>£M | Explanation:   |
|----------------------------------|---|--|
| City Services – Waste Operations | 0.22 A  | There are adverse movements on disposal and tipping costs, waste fleet costs including anticipated damage and repair costs, along with an adverse variance on staffing. This is offset by favourable movements on income including chargeable waste services and other income including dry mixed recyclables.   |
| Green City & Place Trading       | 0.30 F  | The financing charges associated with the Fleet are forecast to be below budget in 2021/22 but charges to services will remain in line with budgeted amounts. The financing charge in 2021/22 is lower due to some vehicles reaching the end of their useful life and charges for replacement vehicles purchased in year will not incur these costs until next financial year. |

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| Service Area                     | COVID Forecast Variance Qtr 2<br>£M | COVID Forecast Variance Qtr 1<br>£M | COVID Variance Movement from Qtr 1<br>£M |
|----------------------------------|-------------------------------------|-------------------------------------|--|
| IT Services                      | 0.17 A                              | 0.07 A                              | 0.10 A                                   |
| City Services – District Teams   | 0.07 A                              | 0.01 A                              | 0.06 A                                   |
| City Services – Waste Operations | 0.03 F                              | 0.00                                | 0.03 F                                   |
| <b>Total</b>                     | <b>0.21 A</b>                       | <b>0.08 A</b>                       | <b>0.13 A</b>                            |

**The are no SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Portfolio.**

#### **4. EDUCATION PORTFOLIO**

##### **KEY REVENUE ISSUES – QUARTER 2 2021/22**

The Portfolio is currently forecast to have a deficit of **£0.04M** for business as usual (BAU) activities, which represents a percentage deficit against budget of 0.7%. The Portfolio forecast variance has moved adversely by **£0.09M** from the position reported at quarter 1.

In addition, there is a **£0.02M** deficit on the COVID-19 pandemic budget, no change from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>0.04 A</b>                                 | <b>0.05 F</b>                                 | <b>0.09 A</b>                             | <b>0.7</b>             |
| COVID-19 Pandemic                          | <b>0.02 A</b>                                 | <b>0.02 A</b>                                 | <b>0.00</b>                               |                        |
| <b>Total</b>                               | <b>0.06 A</b>                                 | <b>0.03 F</b>                                 | <b>0.09 A</b>                             |                        |

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

| <b>Service Area</b>                   | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|---------------------------------------|---|---|--|
| Education - Early Years and Asset Mgt | 0.04 A  | 0.00  | 0.04 A   |
| Education - High Needs and Schools    | 0.00  | 0.05 F  | 0.05 A   |
| <b>Total</b>                          | <b>0.04 A</b>   | <b>0.05 F</b>   | <b>0.09 A</b>  |

**There are no SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio.**



A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| Service Area                       | COVID Forecast Variance | COVID Forecast Variance | COVID Variance Movement from Qtr 1 |
|------------------------------------|-------------------------|-------------------------|------------------------------------|
|                                    | Qtr 2<br>£M             | Qtr 1<br>£M             | Qtr 1<br>£M                        |
| Education - High Needs and Schools | 0.02 A                  | 0.02 A                  | 0.00                               |
| <b>Total</b>                       | <b>0.02 A</b>           | <b>0.02 A</b>           | <b>0.00</b>                        |

There are no **SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Portfolio.**

### **Dedicated Schools Grant (DSG)**

|                                      | £M          |
|--------------------------------------|-------------|
| Balance brought forward from 2020/21 | 8.93        |
| High Needs Pressures 2021/22         | (0.23)      |
| Covid-19 Pressures                   | <u>0.15</u> |
| Deficit (Cumulative)                 | 8.85        |

The Forecast outturn for the Dedicated Schools Grant (DSG) is an £8.85M overspend which includes £0.15M for Covid-19 related pressures. The DSG Grant is ring-fenced and the overspend will not impact on the General Fund and non-school services the council provides.

This overspend is being driven by significant annual increases in numbers and complexity of Education Health Care Plans (EHCPs). The variance includes a cumulative DSG overspend of £8.93M brought forward from 2020/21.

Pressures on the High Needs services is a nationally recognised issue with significant pressures reported in most local authorities. Southampton's deficit is average. The DfE are undertaking a SEN review which should report in the Summer of 2022.

High Needs funding will increase by about 11% in 2022-23 to £37M. The SEN team have an ongoing strategic review of the High Needs activity to manage demand for SEND services. In particular they have increased places in special schools for September 2021 by 60.

## 5. ENVIRONMENT PORTFOLIO

### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a surplus of **£0.12M** for business as usual (BAU) activities, which represents a percentage variance against budget of 7.3%. The Portfolio forecast variance has moved favourably by **£0.12M** from the position reported at quarter 1. In addition, there is a **£0.03M** deficit on the COVID-19 pandemic budget, a favourable movement of **£0.04M** from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>0.12 F</b>                                 | <b>0.00</b>                                   | <b>0.12 F</b>                             | <b>7.3%</b>            |
| COVID-19 Pandemic                          | <b>0.03 A</b>                                 | <b>0.07 A</b>                                 | <b>0.04 F</b>                             |                        |
| <b>Total</b>                               | <b>0.09 F</b>                                 | <b>0.07 A</b>                                 | <b>0.16 F</b>                             |                        |

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

| <b>Service Area</b>  | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|----------------------|---|---|--|
| Bereavement Services | 0.02 A  | 0.00  | 0.02 A   |
| Port Health          | 0.16 F  | 0.00  | 0.16 F   |
| Registration         | 0.04 A  | 0.00  | 0.04 A   |
| Other                | 0.02 F  | 0.00  | 0.02 F   |
| <b>Total</b>         | <b>0.12 F</b>   | <b>0.00</b>   | <b>0.12 F</b>  |

**There are no SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio.**

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b>  | <b>COVID Forecast Variance</b> | <b>COVID Forecast Variance</b> | <b>COVID Variance Movement from</b> |
|----------------------|--------------------------------|--------------------------------|-------------------------------------|
|                      | <b>Qtr 2<br/>£M</b>            | <b>Qtr 1<br/>£M</b>            | <b>Qtr 1<br/>£M</b>                 |
| Bereavement Services | 0.10 A                         | 0.07 A                         | 0.03 A                              |
| Registration         | 0.08 F                         | 0.00                           | 0.08 F                              |
| <b>Total</b>         | <b>0.03 A</b>                  | <b>0.07 A</b>                  | <b>0.04 F</b>                       |

The are no SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Portfolio.

## 6. FINANCE & CAPITAL ASSETS PORTFOLIO

### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a deficit of **£0.06M** for business as usual (BAU) activities, which represents a percentage movement against budget of 3.5%. The Portfolio forecast variance has moved adversely by **£0.07M** from the position reported at quarter 1.

In addition, there is a **£1.06M** deficit on the COVID-19 pandemic budget, an adverse movement of £0.94M from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>0.06 A</b>                                 | <b>0.01 F</b>                                 | <b>0.07 A</b>                             | 3.5%                   |
| COVID-19 Pandemic                          | <b>1.06 A</b>                                 | <b>0.12 A</b>                                 | <b>0.94 A</b>                             |                        |
| <b>Total</b>                               | <b>1.12 A</b>                                 | <b>0.11 A</b>                                 | <b>1.02 A</b>                             |                        |

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

| <b>Service Area</b>           | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|-------------------------------|---|---|--|
| Leisure Client                | 0.09 A  | 0.00  | 0.09 A   |
| Property Portfolio Management | 0.06 A  | 0.01 A  | 0.05 A   |
| Other                         | 0.09 F  | 0.02 F  | 0.07 F   |
| <b>Total</b>                  | <b>0.06 A</b>   | <b>0.01 F</b>   | <b>0.07 A</b>  |

**There are no SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio.**

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b>               | <b>COVID Forecast Variance Qtr 2 £M</b> | <b>COVID Forecast Variance Qtr 1 £M</b> | <b>COVID Variance Movement from Qtr 1 £M</b> |
|-----------------------------------|---|---|--|
| Local Taxation & Benefits Service | 0.95 A                                  | 0.00                                    | 0.95 A                                       |
| Other Minor Balances              | 0.11 A                                  | 0.12 A                                  | 0.01 F                                       |
| <b>Total</b>                      | <b>1.06 A</b>                           | <b>0.12 A</b>                           | <b>0.94 A</b>                                |

**The SIGNIFICANT COVID-19 variance movements between Quarter 1 and Quarter 2 for the Portfolio are:**

| <b>Service Area</b>               | <b>Movement in COVID Forecast Variance Between Qtr 1 and Qtr 2 £M</b> | <b>Explanation:</b>   |
|-----------------------------------|---|---|
| Local Taxation & Benefits Service | 0.95 A  | <p>The £1.42M local taxation income target for court compensation is impacted by Covid and the usage of the Courts Service. Courts' hearings restarted in August and the new process is more time consuming and reduces the throughput. It is estimated that only £0.15M of costs will be recovered this year leaving a £1.27M deficit. The shortfall is offset against estimated reductions in costs for legal expenses, £0.11M, Bad Debts, £0.25M and other costs of £0.05M.</p> <p>The adverse variance is increased by £0.09M because of overtime costs for managing additional Covid work in the team.</p> |

## 7. GROWTH PORTFOLIO

### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a surplus of **£1.08M** for business as usual (BAU) activities, which represents a percentage variance against budget of 15.2%. The

Portfolio forecast variance has moved favourably by **£1.04M** from the position reported at quarter 1.

In addition, there is a **£0.77M** deficit on the COVID-19 pandemic budget, an adverse movement of **£0.06M** from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>1.08 F</b>                                 | <b>0.04 F</b>                                 | <b>1.04 F</b>                             | <b>15.2</b>            |
| COVID-19 Pandemic                          | <b>0.77 A</b>                                 | <b>0.71 A</b>                                 | <b>0.06 A</b>                             |                        |
| <b>Total</b>                               | <b>0.31 F</b>                                 | <b>0.67 A</b>                                 | <b>0.98 F</b>                             |                        |

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

| <b>Service Area</b>           | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|-------------------------------|---|---|--|
| Central Repairs & Maintenance | 0.62 F  | 0.00  | 0.62 F   |
| Parking & Itchen Bridge       | 0.06 F  | 0.14 A  | 0.20 F   |
| Skills                        | 0.10 F  | 0.10 F  | 0.00   |
| Sustainability                | 0.10 F  | 0.10 F  | 0.00   |
| Transportation                | 0.22 F  | 0.00  | 0.22 F   |
| Others                        | 0.02 A  | 0.02 A  | 0.00   |
| <b>Total</b>                  | <b>1.08 F</b>   | <b>0.04 F</b>   | <b>1.04 F</b>  |

**The SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio are:**

| Service Area                  | BAU Forecast Variance Qtr 2 £M | Explanation  |
|-------------------------------|--------------------------------|--|
| Central Repairs & Maintenance | 0.62 F                         | Following a condition survey the required repairs to Belgrave Road Industrial Estate units are more extensive than originally thought and works are now estimated to commence in March following a tender process. This means a significant proportion of the project expenditure will be incurred next financial year creating a favourable variance this financial year of £0.33M. There are further favourable variances forecast on reactive repairs of £0.29M based on spend to date and recent annual trends.  |
| Parking and Itchen Bridge     | 0.20 F                         | The favourable movement in the forecast reflects a budget adjustment of £0.15M agreed at Council in July to cover the cost of suspending evening and weekend parking charges. This had previously been forecast as an adverse variance. Transactional costs are also forecast to be lower by £0.05M as a result of lower traffic volumes in the first half of 2021/22.   |
| Transportation                | 0.22 F                         | The movement in the forecast of £0.22M favourable is due to a surplus of £0.72M from the bus contract payments & concessionary fares which relates to an over payment made to a bus provider in 2020/21 resulting in reduced reimbursement claims in 2021/22 in order to settle this. This is offset by a shortfall in income not being received from the Housing Revenue Account and donations totalling £0.15M, historically this has been offset by surplus income from the Clear Channel gain-share but this income has been impacted by Covid. An additional subsidy to bus providers under the concessionary scheme to support a £1 evening bus fare with the aim of encouraging visitors back into the city centre, now that Covid restrictions have been removed, has been forecast at £0.35M to offset the surplus. |

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b>     | <b>COVID Forecast Variance</b> | <b>COVID Forecast Variance</b> | <b>COVID Variance Movement from</b> |
|-------------------------|--------------------------------|--------------------------------|-------------------------------------|
|                         | <b>Qtr 2<br/>£M</b>            | <b>Qtr 1<br/>£M</b>            | <b>Qtr 1<br/>£M</b>                 |
| Parking & Itchen Bridge | 0.45 A                         | 0.56 A                         | 0.11 F                              |
| Planning                | 0.10 A                         | 0.10 A                         | 0.00                                |
| Economic Development    | 0.05 A                         | 0.05 A                         | 0.00                                |
| Transportation          | 0.17 A                         | 0.00                           | 0.17 A                              |
| <b>Total</b>            | <b>0.77 A</b>                  | <b>0.71 A</b>                  | <b>0.06 A</b>                       |

There are no **SIGNIFICANT COVID-19 variance movements** between quarter 1 and quarter 2 for the Portfolio.



## 8. HEALTH & ADULT SOCIAL CARE PORTFOLIO

### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a deficit of **£1.46M** for business as usual (BAU) activities, which represents a percentage variance against budget of **1.8%** in a volatile and demand led area. The Portfolio forecast variance has moved adversely by **£1.02M** from the position reported at quarter 1.

In addition, there is a **£0.02M** deficit relating to the COVID-19 pandemic, a favourable movement of £0.21M from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>1.46 A</b>                                 | <b>0.44 A</b>                                 | <b>1.02 A</b>                             | <b>1.8</b>             |
| COVID-19 Pandemic                          | <b>0.02 A</b>                                 | <b>0.23 A</b>                                 | <b>0.21 F</b>                             |                        |
| <b>Total</b>                               | <b>1.48 A</b>                                 | <b>0.67 A</b>                                 | <b>0.81 A</b>                             |                        |

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

| <b>Service Area</b>                                      | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|--|---|---|--|
| Adults – Adult Services Management                       | 0.12 A  | 0.00  | 0.12 A   |
| Adults – Long Term                                       | 0.75 A  | 0.07 A  | 0.68 A   |
| Adults – Provider Services                               | 0.18 A  | 0.11 A  | 0.07 A   |
| Adults – Safeguarding Adult Mental Health & Out of Hours | 0.31 A  | 0.13 A  | 0.18 A   |
| ICU – System Redesign                                    | 0.11 A  | 0.12 A  | 0.01 F   |
| Other  | 0.01 F  | 0.01 A  | 0.02 F   |
| <b>Total</b>   | <b>1.46 A</b>   | <b>0.44 A</b>   | <b>1.02 A</b>  |

**The SIGNIFICANT business as usual issues for the Portfolio are:**

| Service Area       | Movement in BAU Forecast Variance Between Qtr 1 and Qtr 2<br>£M | Explanation  |
|--------------------|---|--|
| Adults – Long Term | 0.68 A  | <p>At quarter 2 there has been a £0.68M adverse movement since Quarter 1 mainly due to:</p> <ul style="list-style-type: none"> <li>• A £0.38M adverse variance relating to an increase in residential care package costs</li> <li>• A net increase of £0.48M for learning disability client costs.</li> <li>• A £0.18M favourable variance due to a release of Contain Outbreak Management Funding to cover the cost of Learning Disability Day Care.</li> </ul> |

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| Service Area                             | COVID Forecast Variance | COVID Forecast Variance | COVID Variance Movement from Qtr 1 |
|--|-------------------------|-------------------------|------------------------------------|
|  | Qtr 2<br>£M             | Qtr 1<br>£M             | Qtr 1<br>£M                        |
| Adults - Adult Services Management       | 0.02 A                  | 0.02 A                  | 0.00                               |
| Adults - Reablement & Hospital Discharge | 0.00                    | 0.02 A                  | 0.02 F                             |
| ICU Provider Relationships               | 0.00                    | 0.19 A                  | 0.19 F                             |
| <b>Total</b>                             | <b>0.02 A</b>           | <b>0.23 A</b>           | <b>0.21 F</b>                      |

**There are no SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Portfolio.**

## 9. LEADER PORTFOLIO

### KEY REVENUE ISSUES – QUARTER 2 2021/22

The Portfolio is currently forecast to have a surplus of **£0.01M** for business as usual (BAU) activities, which represents a percentage surplus against budget of 0.02%. The Portfolio forecast variance has moved favourably by **£0.11M** from the position reported at quarter 1.

In addition, there is a **£0.03M** deficit on the COVID-19 pandemic budget, with no movement from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | 0.01 F  | 0.10 A  | 0.11 F                                    | <b>0.02</b>            |
| COVID-19 Pandemic                          | 0.03 A  | 0.03 A  | 0.00                                      |                        |
| <b>Total</b>                               | <b>0.02 A</b>                                 | <b>0.13 A</b>                                 | <b>0.11 F</b>                             |                        |

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

| <b>Service Area</b>                 | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>BAU<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>BAU<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|-------------------------------------|---|---|--|
| HR Services                         | 0.01 F  | 0.04 A  | 0.05 F   |
| Strategic Management of the Council | 0.00  | 0.06 A  | 0.06 F   |
| <b>Total</b>                        | <b>0.01 F</b>   | <b>0.10 A</b>   | <b>0.11 F</b>  |

**The are no SIGNIFICANT BAU variance movements between quarter 1 and quarter 2 for the Portfolio**

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>COVID<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|---------------------|---|---|--|
| Licensing           | 0.03 A  | 0.03 A  | 0.00   |
| <b>Total</b>        | <b>0.03 A</b>   | <b>0.03 A</b>   | <b>0.00</b>  |

The are no **SIGNFICANT COVID-19** variance movements between quarter 1 and quarter 2 for the Portfolio

## 10. NON-PORTFOLIO EXPENDITURE & INCOME

### KEY REVENUE ISSUES – QUARTER 2 2021/22

Non-Portfolio budgets are forecast to break even for business as usual (BAU) activities. There is no movement from the position reported at quarter 1.

In addition, there is a **£1.50M** surplus on the COVID-19 pandemic budget, a favourable movement of **£0.42M** from the position reported at quarter 1.

|  | <b>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>Movement<br/>from<br/>Qtr 1<br/>£M</b> | <b>% of<br/>budget</b> |
|--|---|---|---|------------------------|
| <b>Portfolio Outturn</b> business as usual | <b>0.00</b>                                   | <b>0.00</b>                                   | <b>0.00</b>                               | <b>N/A</b>             |
| COVID-19 Pandemic                          | <b>1.50 F</b>                                 | <b>1.08 F</b>                                 | <b>0.42 F</b>                             |                        |
| <b>Total</b>                               | <b>1.50 F</b>                                 | <b>1.08 F</b>                                 | <b>0.42 F</b>                             |                        |

There are no business as usual forecast variances for non-portfolio budgets and no movements from quarter 1.

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| <b>Service Area</b>                            | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 2<br/>£M</b> | <b>COVID<br/>Forecast<br/>Variance<br/>Qtr 1<br/>£M</b> | <b>COVID<br/>Variance<br/>Movement<br/>from<br/>Qtr 1<br/>£M</b> |
|--|---|---|--|
| Non-Portfolio Net Expenditure                  | 0.00  | 0.00  | 0.00   |
| Council Tax                                    | 0.00  | 0.00  | 0.00   |
| Business Rates                                 | 0.00  | 0.00  | 0.00   |
| Non-Specific Government Grants & Other Funding | 1.50 F  | 1.08 F  | 0.42 F   |
| <b>Total</b>                                   | <b>1.50 F</b>   | <b>1.08 F</b>   | <b>0.42 F</b>  |

The favourable movement in the forecast variance from quarter 1 is government grant funding for COVID-19 new burdens for administration of support for businesses and individuals during the pandemic.

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| Year   | Grant   | General Grant support for COVID-19<br>£M | Specific grant i.e. to support individual service or initiative<br>£M | SCC to administer and allocate to third party<br>£M | Total<br>£M   |       |
|--|---|--|---|---|---------------|-------|
| 20/21  | Fees and charges losses Tranche 1   | 2.97                                     |   |   | 2.97          |       |
|  | Fees and charges losses Tranche 2   | 2.14                                     |   |   | 2.14          |       |
|  | LA support tranche 1  | 7.40                                     |   |   | 7.40          |       |
|  | LA support Tranche 2  | 6.99                                     |   |   | 6.99          |       |
|  | LA Support tranche 3  | 2.49                                     |   |   | 2.49          |       |
|  | LA Support Tranche 4  | 6.05                                     |   |   | 6.05          |       |
|  | Active Travel Fund Tranche 2  |  | 0.98  |   | 0.98          |       |
|  | Art Council England Grants for Library e-books  |  | 0.00  |   | 0.00          |       |
|  | Clinically Extremely Vulnerable 26th Dec - 4th Jan                                      |  | 0.05  |   | 0.05          |       |
|  | Clinically Extremely Vulnerable 5th - 31st Jan  |  | 0.14  |   | 0.14          |       |
|  | Clinically Extremely Vulnerable Grant 5 Nov - 2 Dec                                     |  | 0.15  |   | 0.15          |       |
|  | Clinically Extremely Vulnerable Support 1st to 31st March                               |  | 0.25  |   | 0.25          |       |
|  | Community testing   |  | 0.30  |   | 0.30          |       |
|  | Compliance and enforcement activity   |  | 0.15  |   | 0.15          |       |
|  | Contain Outbreak Management 24th Feb - 31 March   |  | 1.30  |   | 1.30          |       |
|  | Contain Outbreak Management 30 Dec  |  | 1.01  |   | 1.01          |       |
|  | Contain Outbreak Management Jan   |  | 1.01  |   | 1.01          |       |
|  | Contain Outbreak Management Fund  |  | 2.02  |   | 2.02          |       |
|  | Contain Outbreak Management Fund 2 Dec - 29 Dec   |  | 0.58  |   | 0.58          |       |
|  | Coronavirus Grant - Catch Up Premium - Schools  |  | 0.41  |   | 0.41          |       |
|  | Election Support  |  | 0.05  |   | 0.05          |       |
|  | Emergency Active Travel Funding tranche 1   |  | 0.25  |   | 0.25          |       |
|  | HOLIDAY ACTIVITIES AND FOOD PROGRAMME 20/21   |  | 0.12  |   | 0.12          |       |
|  | Home to school transport Tranche 1  |  | 0.15  |   | 0.15          |       |
|  | Home to school transport Tranche 2  |  | 0.20  |   | 0.20          |       |
|  | Home to school transport Tranche 3  |  | 0.25  |   | 0.25          |       |
|  | Housing Benefit Administration Subsidy  |  | 0.07  |   | 0.07          |       |
|  | Local Outbreak planning for Test and Trace  |  | 1.57  |   | 1.57          |       |
|  | New Burdens assessment  |  | 0.17  |   | 0.17          |       |
|  | New Burdens C Tax Hardship Fund and BR Reliefs  |  | 0.04  |   | 0.04          |       |
|  | New Burdens Funding   |  | 0.08  |   | 0.08          |       |
|  | Next Steps Accommodation Programme Launch   |  | 0.17  |   | 0.17          |       |
|  | Reopening High Streets Safely Fund  |  | 0.23  |   | 0.23          |       |
|  | Rough Sleepers  |  | 0.01  |   | 0.01          |       |
|  | Rough Sleeping Drug & Alcohol Treatment Grant 2020/21                                   |  | 0.47  |   | 0.47          |       |
|  | Self Isolation Payments Funding   |  | 0.24  |   | 0.24          |       |
|  | Self Isolation Payments Funding New Burden  |  | 0.04  |   | 0.04          |       |
|  | Self-Isolation Practical Support Payment March  |  | 0.07  |   | 0.07          |       |
|  | Social Care Workforce New Burden  |  | 0.02  |   | 0.02          |       |
|  | Surge funding   |  | 0.02  |   | 0.02          |       |
|  | Test and Trace Support Payment  |  | 0.06  |   | 0.06          |       |
|  | Test and Trace Support Payment Scheme February  |  | 0.09  |   | 0.09          |       |
|  | Travel Demand Management  |  | 0.15  |   | 0.15          |       |
|  | Additional Restrictions Grant (ARG)   |  |   |   | 5.05          | 5.05  |
|  | Additional Restrictions Grant (ARG) top up  |  |   |   | 2.24          | 2.24  |
|  | Adult Social Care infection control fund round 1  |  |   |   | 1.97          | 1.97  |
|  | Adult Social Care infection control fund round 2  |  |   |   | 2.19          | 2.19  |
|  | Adult Social Care- to facilitate rapid testing of staff and facilitating family visits. |  |   |   | 0.51          | 0.51  |
|  | BEIS Business Support Grants  |  |   |   | 43.74         | 43.74 |
|  | Business Rates Relief   |  |   |   | 22.56         | 22.56 |
|  | Christmas grant for 'wet-led pubs'  |  |   |   | 0.08          | 0.08  |
|  | Closed Addendum payment   |  |   |   | 5.96          | 5.96  |
|  | Closed Business Lockdown payment  |  |   |   | 11.92         | 11.92 |
|  | COVID Winter Grant Scheme up to 31st March  |  |   |   | 0.90          | 0.90  |
|  | Food and essential supplies   |  |   |   | 0.33          | 0.33  |
|  | Hardship Fund   |  |   |   | 2.58          | 2.58  |
|  | Local Authority Discretionary Grant Fund (LADGF)  |  |   |   | 2.19          | 2.19  |
|  | Local Restrictions Support Grant (Closed) 3 Nov - 2 Dec                                 |  |   |   | 3.97          | 3.97  |
|  | Local Restrictions Support Grant (LRSRG) OPEN 2 Dec to 19 Dec                           |  |   |   | 0.60          | 0.60  |
|  | Local Restrictions Support Grant (LRSRG) OPEN 20 Dec to 4 Jan                           |  |   |   | 0.25          | 0.25  |
| Local Restrictions Support Grant (LRSRG) OPEN 5 Jan to 18 Jan  |   |  |   | 0.05  | 0.05          |       |
| Local Restrictions Support Grant (LSRG CLOSED 2 Dec to 19 Dec) |   |  |   | 0.03  | 0.03          |       |
| Local Restrictions Support Grant (LSRG CLOSED 20 Dec to 4 Jan) |   |  |   | 1.44  | 1.44          |       |
| Local Restrictions Support Grant (LSRG CLOSED 5 Jan -18 Jan)   |   |  |   | 1.74  | 1.74          |       |
| Local Restrictions Support Grant Closed (16 Feb to 31 March)   |   |  |   | 6.24  | 6.24          |       |
| Local Transport Authority COVID-19 Bus Service Support Grant   |   |  |   | 0.00  | 0.00          |       |
| National Leisure Recovery Fund                                 |   |  |   | 0.53  | 0.53          |       |
| National Leisure Recovery Fund top up                          |   |  |   | 0.08  | 0.08          |       |
| Social Care Workforce  |   |  |   | 0.53  | 0.53          |       |
| <b>20/21 Total</b>   |   | <b>28.04</b>                             | <b>12.86</b>  | <b>117.69</b>                                       | <b>158.59</b> |       |

| Year               | Grant  | General Grant support for COVID-19<br>£M | Specific grant i.e. to support individual service or initiative<br>£M | SCC to administer and allocate to third party<br>£M | Total<br>£M   |
|--------------------|--|--|---|---|---------------|
| <b>21/22</b>       | Fees and charges losses compensation tranche 3   | 2.33                                     |   |   | 2.33          |
|                    | LA Support tranche 5   | 7.82                                     |   |   | 7.82          |
|                    | Local Council tax support schemes grant  | 2.82                                     |   |   | 2.82          |
|                    | Contain Outbreak Management 2021/22  |  | 2.02  |   | 2.02          |
|                    | COVID Winter Grant Scheme 1st April - 16th April   |  | 0.31  |   | 0.31          |
|                    | Culture Recovery Fund  |  | 0.27  |   | 0.27          |
|                    | HOLIDAY ACTIVITIES AND FOOD PROGRAMME 21/22  |  | 1.08  |   | 1.08          |
|                    | Home to school transport - Additional Top-up Funding for Spring second half term               |  | 0.02  |   | 0.02          |
|                    | Home to school transport - Tranche 5 Allocation (Summer first half term)                       |  | 0.25  |   | 0.25          |
|                    | Home to school transport - Tranche 6 Initial Allocation(Summer second half term)               |  | 0.05  |   | 0.05          |
|                    | Household Support Fund   |  | 2.22  |   | 2.22          |
|                    | Local Authority Practical Support for Self-isolation July 2021                                 |  | 0.08  |   | 0.08          |
|                    | Local Support Grant (Formerly Winter Support grant) 17 Apr - 20 Jun                            |  | 0.20  |   | 0.20          |
|                    | Local Support Grant (Formerly Winter Support grant) 21st June 30th Sept                        |  | 0.85  |   | 0.85          |
|                    | New Burdens for Local restriction, Christmas Support & closed business grants. Aug 20 - Mar 21 |  | 0.29  |   | 0.29          |
|                    | NHS and social care for COVID-19 response and recovery - ASC infection Prevention and Control  |  | 0.79  |   | 0.79          |
|                    | NHS and social care for COVID-19 response and recovery - ASC rapid testing                     |  | 0.59  |   | 0.59          |
|                    | Practical Support for self isolation August & Sept   |  | 0.08  |   | 0.08          |
|                    | Rough Sleeping initiative  |  | 1.43  |   | 1.43          |
|                    | Schools recovery premium LA maint schools academic yr 21/22                                    |  | 0.87  |   | 0.87          |
|                    | Test and Trace support payment May, June & July  |  | 0.37  |   | 0.37          |
|                    | Test and Trace Support Payment Scheme March & April  |  | 0.30  |   | 0.30          |
|                    | Test and Trace Support Payment Scheme March and April  |  | 0.04  |   | 0.04          |
|                    | Welcome Back Fund  |  | 0.29  |   | 0.29          |
|                    | Additional Restrictions Grant  |  |   | 1.56  | 1.56          |
|                    | Adult Social Care infection control & Testing fund Jul to Sept 21                              |  |   | 0.98  | 0.98          |
|                    | Restart grant 1st April - 31st July  |  |   | 12.66   | 12.66         |
| <b>21/22 Total</b> |  | <b>12.97</b>                             | <b>12.42</b>  | <b>15.20</b>  | <b>40.58</b>  |
| <b>Grand Total</b> |  | <b>41.00</b>                             | <b>25.28</b>  | <b>132.88</b>                                       | <b>199.16</b> |



## Treasury Management

Appendix 4

### Borrowing and Investments

1. The table below shows the year's opening balance of borrowing and investments, current levels and those predicted for year-end. Forecast borrowing is currently based on month 6 capital monitoring and will be subject to review during the year.

Lower official interest rates have continued to lower the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority maintained its strategy of keeping borrowing and investments below their underlying levels in order to reduce risk and make a net saving.

2.

|                                    | 31-Mar-21<br>Actual | 31-Mar-21<br>Average | 30-Sep-21<br>Actual | 30-Sep-21<br>Average | 31-Mar-22<br>Forecast | 31-Mar-22<br>Forecast |
|------------------------------------|---------------------|----------------------|---------------------|----------------------|-----------------------|-----------------------|
|                                    | £M                  | %                    | £M                  | %                    | £M                    | %                     |
| <b>Long Term Borrowing</b>         |                     |                      |                     |                      |                       |                       |
| Public Works Loan                  | 222.59              | 2.72                 | 238.84              | 2.77                 | 350.80                | 2.70                  |
| LOBO Loans from Banks              | 9.00                | 4.86                 | 9.00                | 4.86                 | 9.00                  | 4.86                  |
|                                    | <b>231.59</b>       | <b>2.75</b>          | <b>247.84</b>       | <b>2.91</b>          | <b>359.80</b>         | <b>2.82</b>           |
| <b>Short Term Borrowing</b>        |                     |                      |                     |                      |                       |                       |
| Other Local Authorities            | 10.00               | 0.28                 | 0.00                | 0.00                 | 10.00                 | 0.04                  |
| Other                              | 0.36                | 0.28                 | 0.36                | 0.23                 | 0.36                  | 0.23                  |
| <b>Total External Borrowing</b>    | <b>241.95</b>       | <b>2.75</b>          | <b>248.20</b>       | <b>2.85</b>          | <b>370.16</b>         | <b>2.78</b>           |
| <b>Other Long Term Liabilities</b> |                     |                      |                     |                      |                       |                       |
| PFI Schemes                        | 50.97               | 9.16                 | 49.25               | 8.82                 | 47.52                 | 9.65                  |
| Deferred Debt Charges (HCC)        | 13.47               | 2.13                 | 13.29               | 2.61                 | 13.10                 | 2.10                  |
| <b>Total Gross External Debt</b>   | <b>306.39</b>       | <b>3.78</b>          | <b>310.73</b>       | <b>4.08</b>          | <b>430.78</b>         | <b>3.63</b>           |
| <b>Investments:</b>                |                     |                      |                     |                      |                       |                       |
| <b>Managed In-House</b>            |                     |                      |                     |                      |                       |                       |
| Government & Local Authority       | 0.00                | 0.00                 | (22.25)             | 0.01                 |                       |                       |
| Cash (Instant access)              | (30.13)             | 0.01                 | (49.23)             | 0.01                 | (10.00)               | 0.01                  |
| Cash (Notice Account)              | 0.00                | 0.00                 | 0.00                | 0.00                 | 0.00                  | 0.00                  |
| Long Term Bonds                    | (3.17)              | 5.30                 | (1.06)              | 5.27                 | (1.10)                | 5.27                  |
| <b>Managed Externally</b>          |                     |                      |                     |                      |                       |                       |
| Pooled Funds (CCLA) & Shares       | (26.57)             | 4.16                 | (27.02)             | 3.70                 | (27.02)               | 3.00                  |
| <b>Total Investments</b>           | <b>(59.87)</b>      | <b>4.26</b>          | <b>(99.57)</b>      | <b>3.49</b>          | <b>(38.12)</b>        | <b>2.28</b>           |
| <b>Net Debt</b>                    | <b>246.52</b>       |                      | <b>211.16</b>       |                      | <b>392.66</b>         |                       |

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 £188.14M for the year.

This will change throughout the year as capital plans firm up and actual cash flow are known and will be reported at the next quarter.

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.

|     |   |
|-----|---|
|     | <b><u>Borrowing</u></b>   |
| 5.  | The forecast cost of financing the council's loan debt is £16.54M of which £5.06M 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.  | <p>Short term interest rates have remained low and are likely to do so for the remainder of the year and offer good value, which we will utilise to fund any further borrowing needs in the year, unless an opportunity arises to secure a long term loan at advantageous rates or to provide certainty for the portfolio.</p> <p>Although we currently do not have any short term debt, we anticipate borrowing before year end to replace maturing long term debt, expected reduction in reserves and to fund the forecast capital programme for the year, until a decision is taken with regards to long term borrowing. Any increase in short term borrowing costs will be offset by a reduction in long term costs. This is later than previously reported as cash flows have remained higher than expected.</p>   |
| 7.  | <p><b>PWLB:</b> Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.</p> <p>From 8<sup>th</sup> September 2021 the settlement time for a PWLB loan was extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.</p> <p>Competitive market alternatives may be available however, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.</p> |
| 8.  | <p><b>Municipal Bonds Agency (MBA):</b> The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.</p> <p>If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.</p>  |
| 9.  | <b>UK Infrastructure Bank:</b> £4bn has been earmarked for lending to local authorities by the UK Infrastructure Bank. The availability of this lending to local authorities is due to commence in summer 2021 for which there is expected to be a bidding process. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.   |
|     | <b><u>Investment</u></b>  |
| 10. | The Authority received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes which was temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds and led to higher than expected cash flow whilst the cash was being disbursed. Investment balances have ranged between £116.90M and £43.02M during the year and are currently £99.57M.  |

Continued downward pressure on short-dated cash means net returns on money market funds are low between 0.02% and zero even after some managers have temporarily lowered their fees. This supports our decision to only borrow for cash flow purposes at this stage as savings on borrowing costs more than offset the loss on short term investments.

The impact of COVID-19 will continue during the year and will be reported at each quarter and as part of Treasury Reports to Governance Committee.

**External Managed investments**

11. The council has invested £27M in property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments.

Because these funds have no defined maturity date but are usually available for withdrawal after a notice period (90 days), their performance and continued suitability in meeting the Authority’s investment objectives is regularly reviewed.

12. 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. In light of their performance over the long-term and the Authority’s latest cash flow forecasts, investment in these funds has been maintained.

13. The market has continued to improve since year end when the value was reported at £26.28M, and at September 2021 has a value of £28.11M (June 2021,£27.18M) an increase of £1.83M since March and is now £1.11M above the initial investment of £27M.

The dividend for April to September has been estimated at £0.26M, 3.86% against the original investment. This is lower than 2020/21 which was boosted by a significant level of one-off receipts. If rates remain at this level the total forecast dividend for the year is £1.02M.

**Financial Review and Outlook**

14. 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. The low for longer interest rate outlook theme that has been at the core of the recommended strategic advice for over a decade remains.

**Arlingclose’s Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)**

|                          | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate       |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk              | 0.00   | 0.15   | 0.00   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   |
| Arlingclose Central Case | 0.10   | 0.10   | 0.25   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Downside risk            | 0.00   | 0.00   | 0.15   | 0.15   | 0.15   | 0.40   | 0.40   | 0.40   | 0.40   | 0.40   | 0.40   | 0.40   | 0.40   |

15. Arlingclose expects Bank Rate to rise in Q2 2022, which they believe is driven as much by the Bank of England’s desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

|     |  |
|-----|--|
|     |  |
| 16. | The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.  |
| 17. | While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.  |
| 18. | Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.  |
| 19. | The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.  |
| 20. | Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy   |
| 21. | The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.   |
|     | <b><u>Credit background</u></b>  |
| 22. | <p>Economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.</p> <p>The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.</p> |

|     |   |
|-----|---|
|     | <p>Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.</p>  |
| 23. | <p>Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.</p> <p>Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.</p> <p>The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.</p> <p>The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter</p> |
| 24. | <p>The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.</p>   |
| 25. | <p>At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days. As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.</p>  |
|     | <p><b><u>Investment Performance</u></b></p>   |
| 26. | <p>The council's advisors undertake quarterly investment benchmarking across its client base. As reported previously our portfolio was more diversified and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we will see a fall in suitable instruments. With this in mind, and following discussions with our advisors, it was decided to move more into property funds, which are a longer term investment, and to short term investments for cash flow purposes.</p>   |
| 27. | <p>Our current investments in bonds has 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 paragraph 2.</p>  |

|                                       |  |
|---------------------------------------|--|
| 28.                                   | As detailed in paragraph 11 our cash balances have continued to be higher than forecast. As a result, we had £72.55M in short term investment which is above our normal working balances. Our target is to reduce this to a £10M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.   |
| 29.                                   | <p>Investments managed internally are currently averaging a return of 0.08% which is slightly higher than the average unitary authority at 0.06% whilst maintaining a higher average credit rating at AA-. Total income returns at 1.31% is also higher than the average for both unitary (0.85%) and LA's (0.78%), 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 28% of our investments in strategic funds which offer higher return over the long term as detailed in paragraphs 11 to 14 above. This is higher than the average but in line with our strategy.</p> <p>In addition, due to the increase in the capital value of our external funds of +10.82% our total investment return at 4.33% is significantly higher than the average LA's at 2.82% and the average unitary at 2.35% across Arlingclose's client base, but as previously reported it is the income return that is the driver to invest plus, they are deemed less risky than buying individual properties and do not constitute capital spend.</p> |
| <b><u>Revision to CIPFA Codes</u></b> |  |
| 30.                                   | In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation and in September CIPFA issued the revised Codes and Guidance Notes in draft form and opened further consultation process on their proposed changes.   |
| 31.                                   | <p>We are currently reviewing the impact of the proposed changes, which includes the introduction of the liability benchmark and borrowing at net position which could have an impact on us holding long term investments such as CCLA.</p> <p>Early indications are that future long term investments will be prohibited but we will not need to unwind existing investments. A further update will be included in the Strategy report.</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) |      |   |
|--------------------------|------|---|
| 5 - Very Likely          | >95% | Is expected to occur in most circumstances  |
| 4 - Likely               | ↑    | Will probably occur in most circumstances   |
| 3 - Possible             | 50%  | Might occur at some time                    |
| 2 - Unlikely             | ↓    | Could occur at some time                    |
| 1 - Very Unlikely        | <5%  | May only occur in exceptional circumstances |

| IMPACT                              | 1 - Minor                     | 2 - Moderate   | 3 - Significant   | 4 - Major   | 5 - Critical   |
|-------------------------------------|-------------------------------|--|---|---|--|
| Service delivery/<br>key priorities | No noticeable effects         | Some temporary disruption to a single service area / delay in delivery of one of the council's | Regular disruption to one or more services / a number of corporate objectives would be delayed or not | 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. <b>Interest rates</b> are underestimated.  | Likely        | Major       | <ul style="list-style-type: none"> <li>• PWLB rates reduced by 1% for all new standard rate borrowing and by 0.8% for certainty rate loans in Spending Review 2020. Rates were discounted by 1% for new HRA loans in March 2020 Budget.</li> <li>• Prudent estimates are made around future rates when costing the financing of the capital programme.</li> <li>• Market intelligence provided by Treasury Management advisors.</li> <li>• Treasury Management Strategy is aligned with CIPFA Code and MHCLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.</li> </ul> | Possible      | Significant |
| FE2. <b>Existing fees and charges:</b> Projected levels of income within the period are not achieved and/or maintained. | Possible      | Significant | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Loss of income from fees and charges is forecast due to the impact of COVID-19 restrictions. This will be mitigated by the Government scheme to fund 75p in every £1 lost over and above a 5% budget threshold for the first quarter of 2021/22 (continuation of the scheme in place for 2020/21). This does not apply to commercial activities.</li> </ul>   | Possible      | Significant |
| FE3. <b>New income streams:</b> Projected levels of income within the period are not achieved.                          | Possible      | Significant | <ul style="list-style-type: none"> <li>• Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop and exit from the European Union that these levels of income will not be achieved.</li> <li>• Higher risk as it is based on new sources of income.</li> <li>• Implementation of new income generation proposals has been delayed due to the impact of COVID-19.</li> </ul>  | Possible      | Significant |
| FE4. <b>Volatility of Business Rates funding</b> given the uncertainty around impact of successful appeals.             | Likely        | Major       | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The appeals window for the 2010 rating list has been closed.</li> <li>• The government is bringing forward legislation to prevent appeals as a consequence of measures to control COVID-19.</li> </ul>  | Possible      | Significant |

- **Robustness of estimates**

| Key Financial Risk |   | INHERENT RISK |             | Comments/Mitigating Actions in place  | RESIDUAL RISK |             |
|--------------------|---|---------------|-------------|---|---------------|-------------|
|                    |   | Likelihood    | Impact      |   | Likelihood    | Impact      |
| FE5.               | <b>Increase in demand led spending pressures</b> (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.   | Possible      | Major       | <ul style="list-style-type: none"> <li>• Annual budget setting process developed in consultation with service managers</li> <li>• Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to EMB and Cabinet (Quarterly).</li> <li>• 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</li> <li>• Action plans intended to manage/reduce the number of Looked After Children</li> </ul> | Possible      | Significant |
| FE6a.              | Third party provider costs will increase as a result of the introduction of the <b>National Living Wage</b>   | Very Likely   | Significant | <ul style="list-style-type: none"> <li>• As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget.</li> </ul>   | Possible      | Significant |
| FE6b.              | <b>Third party provider costs increase</b> as result of SCC having to 'step in' in the event of potential provider failure (social care providers)  | Possible      | Significant | <ul style="list-style-type: none"> <li>• ICU contract monitoring arrangements and general market oversight and intelligence</li> </ul>  | Unlikely      | Moderate    |
| FE7.               | <b>Legal challenge to savings proposals</b> that could result in the proposal being either discontinued or revised.   | Possible      | Significant | <ul style="list-style-type: none"> <li>• Robust budget consultation process in place.</li> </ul>  | Unlikely      | Moderate    |
| FE8.               | <b>Pressure on returns from investment properties</b> in both the short and longer term.  | Possible      | Major       | <ul style="list-style-type: none"> <li>• There is a full and robust process around the financial and legal analysis of the individual investments.</li> <li>• Investments are diversified between sectors.</li> <li>• Expansion of the Property Investment Fund was removed in the 2021/22 budget agreed in February 2021</li> </ul>  | Possible      | Significant |
| FE9.               | <b>Voluntary sector</b> is either unwilling or unable to support the delivery of certain services or activities   | Possible      | Major       | <ul style="list-style-type: none"> <li>• Review the overall expectation and co-ordination of the services required of the voluntary sector.</li> <li>• Consideration is given to this risk in deciding whether to design services around the voluntary sector</li> </ul>  | Possible      | Significant |
| FE10.              | The council's <b>service delivery partners</b> 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"> <li>• Central Contracts Team monitors and work closely with the council's significant service delivery partners.</li> <li>• Contractual obligations on both parties that set out the respective roles and responsibilities.</li> </ul>   | Possible      | Significant |
| FE11.              | The Council may received 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"> <li>• The Council will plan for any proposed changes through the Medium Term Financial Strategy process.</li> </ul>  | Possible      | Major       |



- Adequacy of proposed financial reserves

| Key Financial Risk |  | INHERENT RISK |             | Comments/Mitigating Actions   | RESIDUAL RISK |             |
|--------------------|--|---------------|-------------|---|---------------|-------------|
|                    |  | Likelihood    | Impact      |   | Likelihood    | Impact      |
| FR1.               | <b>Business Rate Retention &amp; Council Tax Growth</b> - the council fails to collect, retain and grow business rate income   | Possible      | Major       | <ul style="list-style-type: none"> <li>• The assumption built into the MTFF is based on an annualised CPI Rate reflecting the uplift set by government. The government has frozen the business rate multiplier for 2021/22, however councils will be compensated for this via grants.</li> <li>• The current MTFF includes assumptions on growth which have been reviewed compared with past expectations as factored into budget plans. This has been undertaken in conjunction with the Growth service team and Business rate collection team, including pipeline developments and their assumed operational dates. This will be monitored on a frequent basis as part of the standard monitoring.</li> <li>• Reserves can be used to offset the impact of shortfalls in estimated business rates, giving time to adapt the budget and service planning.</li> </ul>   | Possible      | Significant |
| FR2.               | <b>Delivery of all of the agreed savings</b> is not achieved.  | Possible      | Critical    | <ul style="list-style-type: none"> <li>• 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.</li> <li>• EMB review the validity and achievability of projects and provide approval (or not) to projects</li> </ul>  | Unlikely      | Major       |
| FR3.               | The Government could impose a lower <b>Council Tax referendum</b> threshold and/or reduce or remove the <b>Adult Social Care Precept</b>   | Possible      | Significant | <ul style="list-style-type: none"> <li>• The 2021/22 budget included a 1.99% increase in the general Council Tax and the MTFF agreed in February 2021 assumed a 1.99% increase in Council Tax for the years 2022/23 to 2024/25, in line with the Government's referendum limit of a 2% increase on general Council Tax in the 2021/22 Final Local Government Finance Settlement.</li> <li>• 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. In the 2021/22 Provisional Settlement the Government consulted on a further 3% Precept, which the Council applied in full in 2021/22.</li> <li>• The option for a Social Care Precept has applied for a number of years, but we await the Spending Review 2021 and the financial settlement to see if it will continue to apply, or if Government present alternative proposals for the costs of Adult Social Care in the forthcoming white paper.</li> <li>• The new Executive formed in May 2021 published its approach at July Council for a freeze with Council Tax for 2022/23.</li> </ul> | Unlikely      | Significant |
| FR4.               | <b>Slippage in capital receipts</b> (not accompanied by a slippage in spend).  | Possible      | Significant | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Impact reflects the cost of borrowing in short term (the interest payments).</li> </ul>  | Possible      | Moderate    |
| FR5.               | If <b>building inflation</b> was to exceed general inflation over a prolonged period, this would have a significant adverse impact on <b>HRA balances</b> 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"> <li>• 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.</li> <li>• Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget</li> </ul>   | Possible      | Significant |
| FR6.               | The level of funds within the <b>internal insurance provisions</b> is inadequate to meet current or future demand  | Possible      | Significant | <ul style="list-style-type: none"> <li>• The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds.</li> <li>• 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.</li> </ul>   | Unlikely      | Significant |

- Adequacy of proposed financial reserves

| Key Financial Risk |  | INHERENT RISK |             | Comments/Mitigating Actions  | RESIDUAL RISK |             |
|--------------------|--|---------------|-------------|--|---------------|-------------|
|                    |  | Likelihood    | Impact      |  | Likelihood    | Impact      |
| FR7.               | <b>Ad hoc or unforeseen events / emergencies.</b>  | Possible      | Critical    | <ul style="list-style-type: none"> <li>• The Council's Reserves may be utilised in respect of the financial impact of such an event.</li> <li>• Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme.</li> <li>• The Government has allocated 5 tranches of un-ringfenced support funding to local authorities to meet 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. testing and tracing.</li> <li>• Use of reserves may be required to meet COVID-19 expenditure pressures/income losses not funded by Government.</li> </ul>                     | Possible      | Major       |
| FR8.               | The cost of implementing the <b>Care Act 2014</b> is greater than anticipated.   | Possible      | Significant | <ul style="list-style-type: none"> <li>• The Government announced a new basis for Social Care provision on 7 September 2021, with a "cap and floor" scheme being implemented from October 2023 to be funded via a new Health and Social Care Levy.</li> <li>• No costing analysis has been provided so it is unclear whether the quantum of funding allocated 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 (yet to be developed) will be unfavourable to the Council.</li> <li>• Current planning assumptions are that the Council will receive funding to meet the employer's cost of the new Health and Social Care Levy (payable from April 2022).</li> </ul> | Possible      | Significant |
| FR9.               | <b>CCG</b> could seek to reduce its level of contribution to the 'pooled budgeting' arrangement with SCC   | Possible      | Major       | <ul style="list-style-type: none"> <li>• Ongoing relationship and dialogue with CCG re shared objectives and outcomes.</li> </ul>  | Unlikely      | Significant |
| FR10.              | The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of <b>welfare reforms</b>   | Possible      | Significant | <ul style="list-style-type: none"> <li>• The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.</li> </ul>   | Possible      | Significant |
| FR11.              | <b>Inflation increases</b> at a higher rate than anticipated   | Possible      | Significant | <ul style="list-style-type: none"> <li>• Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2021/22. CPI is currently running at 3.2% (August 2021), above the anticipated level.</li> <li>• Market intelligence provided by Arlingclose - independent treasury advisors</li> <li>• An amount is included in the MTFF to cover key elements of inflation.</li> <li>• Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference.</li> </ul>  | Possible      | Moderate    |
| FR12.              | <b>Pay Inflation</b> is at a higher rate than anticipated  | Possible      | Significant | <ul style="list-style-type: none"> <li>• The MTFF model approved in February 2021 is based on a pay award of 0.5% for 2021/22, 1% for 2022/23 and 2023/24 and 2% for 2024/25 - this is based on the Government's announcement in the Spending Review 2020 to freeze pay for non-NHS public sector workers earning more than £24,000 a year</li> <li>• It should be noted that the current offer for 2021/22 is 1.75%, with 2.75% for lowest paid workers.</li> </ul>   | Possible      | 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"> <li>• National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment.</li> <li>• There may be either pressure or incentives for non UK owned business to move operations back to within an EU country.</li> <li>• 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.</li> </ul>  | 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"> <li>• A Projects and Change Team has been established. A full programme management process is in place including planning and risk assessment, with significant support to major projects.</li> </ul>  | 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"> <li>• New accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Risk Reserve will be used to manage the volatility that the timing difference may cause.</li> <li>• The Government has put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23.</li> </ul>   | Unlikely      | Significant |
| FR16.              | COVID-19 will adversely impact on budgets  | Very Likely   | Critical    | <ul style="list-style-type: none"> <li>• COVID-19 is having ongoing financial effects, as well as introducing significant uncertainty for future financial projects. Major income streams are likely to be impacted, such as council tax and business rates, as well as numerous service costs rising as demand increases e.g. for social care. The situation is being closely monitored each month, by the finance team and the impact captured. The Council included anticipated additional expenditure/income losses in the budget set in Feb 2021. The Government has provided un-ringfenced support funding for local authorities in 2021/22, as well as ring-fenced funding for specific COVID-19 expenditure, e.g. Test &amp; Trace service, and some compensation for loss of fees &amp; charges income. The MTFF will continue be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates. Corporately, a further risk register is maintained for all COVID-19 related risks, including financial, which is monitored frequently</li> </ul> | Very Likely   | Major       |

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### Prudential Indicators Relating to Treasury

|                                   | <u>Maximum</u> | <u>Forecast</u> | <u>Status</u> |
|-----------------------------------|----------------|-----------------|---------------|
| Maximum Level of External Debt £M | £805M          | £473M           | Green         |
| As % of Authorised Limit          | 100%           | 58.76%          | Green         |

|   | <u>Maximum</u> | <u>Highest YTD</u> | <u>Status</u> |
|---|----------------|--------------------|---------------|
| Authorised Limit for external debt £M   | £805M          | £312M              | Green         |
| Operational Limit for external debt £M  | £705M          | £312M              | Green         |
| Maximum external borrowing year to date | £640M          | £251M              | Green         |
| Limit of fixed interest debt %          | 100%           | 80.8%              | Green         |
| Limit of variable interest debt %       | 50%            | 19.2%              | Green         |
| Limit for Non-specified investments £M  | £100M          | £30M               | Green         |

| <b>Other Treasury Performance Indicators</b> | <u>Target</u> | <u>Actual YTD</u> | <u>Status</u> |
|--|---------------|-------------------|---------------|
| Average % Rate Long Term New Borrowing       | 2.50%         | 1.46%             | Green         |
| Average % Rate Existing Long Term Borrowing  | 3.00%         | 2.88%             | Green         |
| Average Short Term Investment Rate - Cash    | 0.01%         | 0.01%             | Green         |
| Average Short Term Investment Rate – Fixed   | 0.01%         | 0.01%             | Green         |
| Average Long Term Investment Rate - Bonds    | 2.00%         | 5.27%             | Green         |
| Average Return on Property Fund              | 3.50%         | 3.69%             | Green         |

### Minimum Level of General Fund Balances

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

### Income Collection

|  | <u>2021/22 Target</u> | <u>Qtr2 YTD</u> | <u>Status</u> |
|--|-----------------------|-----------------|---------------|
| Collection rate                          | 94.15%                | 100.50%         | Green         |
| Average days sales outstanding           | < 60 days             | 72              | Red           |
| Outstanding debt more than 12 months old | < 18%                 | 19.06%          | Amber         |
| Debt written off                         | < 2%                  | 0.26%           | Green         |

### Creditor Payments

|   | <u>2021/22 Target</u> | <u>Qtr2 YTD</u> | <u>Status</u> |
|---|-----------------------|-----------------|---------------|
| Valid and undisputed invoices paid within 30 days | 95%                   | 88.71%          | Red           |

**Tax Collection rate**

|                             | <b><u>2020/21</u></b> | <b><u>Target</u></b>     | <b><u>Qtr 2 Collection Rate</u></b> |                         | <b><u>Status</u></b> |
|-----------------------------|-----------------------|--------------------------|-------------------------------------|-------------------------|----------------------|
|                             | <b><u>Actual</u></b>  | <b><u>Collection</u></b> | <b><u>Last Year</u></b>             | <b><u>This Year</u></b> |                      |
|                             | <b><u>Rate</u></b>    | <b><u>Rate</u></b>       |                                     |                         |                      |
| Council Tax                 | 92.90%                | 94.90%                   | 52.17%                              | 52.90%                  | Amber                |
| National Non Domestic Rates | 93.89%                | 97.56%                   | 58.37%                              | 53.53%                  | Amber                |

# Agenda Item 15

Appendix 7

## HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2021/22

The Housing Revenue Account is currently forecast to have a surplus of **£0.92M** for business as usual (BAU) activities, which represents a percentage variance against budget of 1.2%. The Portfolio forecast variance has moved adversely by **£0.19M** from the position reported at quarter 1.

In addition, there is a **£0.57M** surplus on the COVID-19 pandemic budget, which represents no movement from the position reported at quarter 1.

|                                     | Budget<br>Qtr 2<br>£M | BAU<br>Annual<br>Forecast<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 2<br>£M | BAU<br>Forecast<br>Variance<br>Qtr 1<br>£M | BAU<br>Variance<br>Movement<br>from Qtr 1<br>£M |
|-------------------------------------|-----------------------|--|--|--|---|
| <b>Expenditure</b>                  |                       |  |  |  |   |
| Responsive repairs                  | 12.15                 | 11.46                                    | 0.69 F                                     | 0.31 F                                     | 0.38 F  |
| Cyclical maintenance                | 4.97                  | 4.57                                     | 0.40 F                                     | 0.80 F                                     | 0.40 A  |
| Rents payable                       | 0.10                  | 0.10                                     | 0.00                                       | 0.00                                       | 0.00  |
| Debt management                     | 0.09                  | 0.09                                     | 0.00                                       | 0.00                                       | 0.00  |
| Supervision & management            | 24.94                 | 24.89                                    | 0.05 F                                     | 0.00                                       | 0.05 F  |
| Interest & principal repayments     | 8.83                  | 8.83                                     | 0.00                                       | 0.00                                       | 0.00  |
| Depreciation                        | 20.92                 | 20.92                                    | 0.00                                       | 0.00                                       | 0.00  |
| Direct revenue financing of capital | 3.88                  | 3.88                                     | 0.00                                       | 0.00                                       | 0.00  |
| <b>Total Expenditure</b>            | <b>75.87</b>          | <b>74.73</b>                             | <b>1.14 F</b>                              | <b>1.11 F</b>                              | <b>0.03 F</b>                                   |
| <b>Income</b>                       |                       |  |  |  |   |
| Dwelling rents                      | (71.38)               | (71.15)                                  | 0.22 A                                     | 0.00                                       | 0.22 A  |
| Other rents                         | (1.20)                | (1.20)                                   | 0.00                                       | 0.00                                       | 0.00  |
| Service charge income               | (2.34)                | (2.34)                                   | 0.00                                       | 0.00                                       | 0.00  |
| Leaseholder service charges         | (0.95)                | (0.95)                                   | 0.00                                       | 0.00                                       | 0.00  |
| Interest received                   | (0.01)                | (0.01)                                   | 0.00                                       | 0.00                                       | 0.00  |
| <b>Total Income</b>                 | <b>(75.87)</b>        | <b>(75.65)</b>                           | <b>0.22 A</b>                              | <b>0.00</b>                                | <b>0.22 A</b>                                   |
| <b>(SURPLUS)/DEFICIT</b>            | <b>0.00</b>           | <b>(0.92)</b>                            | <b>0.92 F</b>                              | <b>1.11 F</b>                              | <b>0.19 A</b>                                   |

NB Numbers are rounded

**The SIGNIFICANT business as usual movements between quarter 1 and quarter 2 for the Portfolio are:**

| Service Area         | Movement in BAU Forecast Variance Between Qtr 1 and Qtr 2<br>£M | Explanation:   |
|----------------------|---|--|
| Cyclical Maintenance | 0.40 A  | A review of compliance work requirements for fire safety and other works has been undertaken. This has led to a restructure to ensure future full delivery of the cyclical maintenance programme. The movement in forecast builds in the expected cost of restructuring in 2021/22.                            |
| Dwelling Rent        | 0.22 A  | The movement in forecast relates to rent loss due to voids, which has increased due to increased turnaround times and Estate regeneration properties being held empty prior to demolition.   |
| Responsive repairs   | 0.38 F  | There is a favourable variance forecast for increased income to the trading divisions (Capital Works and Safety Services), based on income data and extrapolated over the year. The movement in quarter 2 is based on a review of activity between July and August, which shows a continuing favourable trend. |

A summary of the Portfolio COVID-19 forecast variance and movement since quarter 1 is shown in the table below:

| Service Area             | COVID Forecast Variance | COVID Forecast Variance | COVID Variance Movement from Qtr 1 |
|--------------------------|-------------------------|-------------------------|------------------------------------|
|                          | Qtr 2<br>£M             | Qtr 1<br>£M             | Qtr 1<br>£M                        |
| Supervision & Management | 0.57 F                  | 0.57 F                  | 0.00                               |
| <b>Total</b>             | <b>0.57 F</b>           | <b>0.57 F</b>           | <b>0.00</b>                        |

**There were no SIGNIFICANT COVID-19 variance movements between quarter 1 and quarter 2 for the Housing Revenue Account.**



**COLLECTION FUND REVENUE ACCOUNT**  
**FOR YEAR ENDED 31ST MARCH 2022**

|  | Current<br>Budget<br>2021/22<br>£M | Forecast<br>2021/22<br>£M | Variance<br>Adverse /<br>(Favourable)<br>2021/22<br>£M |
|--|------------------------------------|---------------------------|--|
| <b>Council Tax</b>   |                                    |                           |  |
| <b>Total Council Tax Income</b>                                      | <b>(130.93)</b>                    | <b>(132.14)</b>           | <b>(1.20)</b>  |
| <b>Total Council Tax Expenditure (incl. precepts)</b>                | <b>128.34</b>                      | <b>127.95</b>             | <b>(0.39)</b>  |
| <b>Council Tax Deficit/(Surplus) for the Year</b>                    | <b>(2.60)</b>                      | <b>(4.19)</b>             | <b>(1.59)</b>  |
| Council Tax Deficit/(Surplus) Brought Forward                        | 3.13                               | 1.18                      | (1.95)   |
| <b>Council Tax Deficit/(Surplus) Carried Forward</b>                 | <b>0.53</b>                        | <b>(3.01)</b>             | <b>(3.54)</b>  |
| <b>Business Rates</b>  |                                    |                           |  |
| <b>Total Business Rates Income</b>                                   | <b>(163.36)</b>                    | <b>(138.83)</b>           | <b>24.53</b>   |
| <b>Total Business Rates Expenditure</b>                              | <b>111.05</b>                      | <b>106.52</b>             | <b>(4.53)</b>  |
| <b>Business Rates Deficit/(Surplus) for the Year</b>                 | <b>(52.31)</b>                     | <b>(32.30)</b>            | <b>20.00</b>   |
| Business Rates Deficit/(Surplus) Brought Forward                     | 56.29                              | 50.68                     | (5.61)   |
| <b>Business Rates Deficit/(Surplus) Carried Forward</b>              | <b>3.98</b>                        | <b>18.38</b>              | <b>14.40</b>   |
| <b>Total Collection Fund (Surplus)/Deficit</b>                       | <b>4.51</b>                        | <b>15.36</b>              | <b>10.85</b>   |
| <b>Council Tax (Surplus)/Deficit</b>                                 |                                    |                           |  |
| Contribution (to)/ from SCC  |                                    | (2.55)                    |  |
| Contribution (to)/ from HPA  |                                    | (0.35)                    |  |
| Contribution (to)/ from H and IOW F&R                                |                                    | (0.11)                    |  |
| Council Tax Collection Fund Balance c/f                              |                                    | <u>(3.01)</u>             |  |
| <b>NDR (Surplus)/Deficit</b>   |                                    |                           |  |
| Contribution (to)/ from SCC  |                                    | 9.01                      |  |
| Contribution (to)/ from DLUHC  |                                    | 9.19                      |  |
| Contribution (to)/ from H and IOW F&R                                |                                    | 0.18                      |  |
| NDR Collection Fund Balance c/f                                      |                                    | <u>18.38</u>              |  |
| <b>Total SCC (Surplus)/Deficit</b>                                   |                                    | <u><b>6.45</b></u>        |  |
| LESS: Grant estimated as due from Government (General Fund)          |                                    | (12.54)                   |  |
| <b>NET SCC (Surplus)/Deficit for future budget purposes at Qtr 2</b> |                                    | <u><b>(6.09)</b></u>      |  |

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| <b><u>CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO SEPTEMBER 2021</u></b> |  |                                     |                                      |                                     |
|---|--|-------------------------------------|--------------------------------------|-------------------------------------|
| 1.  | Table 1 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £437.08M and £340.81M for the HRA.   |                                     |                                      |                                     |
| 2.  | There have not been any significant changes to the programme since quarter 1, the movement shown is to realign existing projects to the correct portfolio, primarily transferring City Services from Environment to Customer Service & Transformation. |                                     |                                      |                                     |
|   | <b><u>Table 1 – Changes to Portfolio Programmes</u></b>  |                                     |                                      |                                     |
|   |  | <b>Latest<br/>Programme<br/>£M</b>  | <b>Previous<br/>Programme<br/>£M</b> | <b>Total<br/>Change<br/>£M</b>      |
|   | Communities, Culture & Heritage  | 37.15                               | 37.15                                | 0.00                                |
|   | Customer Service & Transformation  | 26.92                               | 10.55                                | 16.38                               |
|   | Education & Children's Social Care   | 94.34                               | 94.34                                | 0.00                                |
|   | Environment  | 3.25                                | 20.18                                | (16.93)                             |
|   | Finance & Capital Assets   | 6.58                                | 5.78                                 | 0.81                                |
|   | Growth   | 268.35                              | 268.60                               | (0.25)                              |
|   | Health & Adult Social Care   | 0.48                                | 0.48                                 | 0.00                                |
|   | <b>Total GF Capital Programme</b>  | <b>437.08</b>                       | <b>437.08</b>                        | <b>0.00</b>                         |
|   | Housing Revenue Account  | 340.81                              | 340.81                               | 0.00                                |
|   | <b>Total Capital Programme</b>   | <b>777.88</b>                       | <b>777.88</b>                        | <b>0.00</b>                         |
|   | NB. there may be small arithmetic variations in the table as figures have been rounded   |                                     |                                      |                                     |
|   | <b>2021/22 MONITORING POSITION</b>   |                                     |                                      |                                     |
| 3.  | The forecast performance of individual capital programmes in 2021/22 is summarised in table 2 below.   |                                     |                                      |                                     |
|   | <b><u>Table 2 – Summary of the General Fund &amp; HRA Capital Forecast 2021/22</u></b>   |                                     |                                      |                                     |
|   |  | <b>Revised<br/>Programme<br/>£M</b> | <b>Forecast<br/>£M</b>               | <b>Forecast<br/>Variance<br/>£M</b> |
|   |  |                                     |                                      | <b>Forecast<br/>Variance<br/>%</b>  |
|   | Communities, Culture & Heritage  | 8.87                                | 5.29                                 | (3.57)                              |
|   | Customer Service & Transformation  | 16.04                               | 15.36                                | (0.68)                              |
|   | Education & Children's Social Care   | 44.49                               | 33.03                                | (11.46)                             |
|   | Environment  | 2.90                                | 2.90                                 | 0.00                                |
|   | Finance & Capital Assets   | 3.58                                | 3.58                                 | 0.00                                |
|   | Growth   | 77.27                               | 75.94                                | (1.33)                              |
|   | Health & Adult Social Care   | 0.22                                | 0.22                                 | 0.00                                |
|   | <b>Total General Fund</b>  | <b>153.36</b>                       | <b>136.32</b>                        | <b>(17.05)</b>                      |
|   | Housing Revenue Account  | 69.92                               | 38.60                                | (31.32)                             |
|   | <b>Total Capital Programme</b>   | <b>223.28</b>                       | <b>174.91</b>                        | <b>(48.37)</b>                      |

| <b><u>Financed by</u></b>  |   |   |                     |                 |
|--|---|---|---------------------|-----------------|
| *CR - GF Borrowing   | (53.38)   | (40.49)                                 | (12.90)             | (24.16%)        |
| *CR - HRA Borrowing  | (28.72)   | (16.56)                                 | (12.16)             | (42.34%)        |
| Capital Receipts   | (9.52)  | (3.57)                                  | (5.95)              | (62.54%)        |
| Direct Revenue Financing   | (13.70)   | (10.41)                                 | (3.29)              | (24.00%)        |
| Capital Grants   | (86.78)   | (84.42)                                 | (2.36)              | (2.72%)         |
| Contributions  | (5.69)  | (5.29)                                  | (0.40)              | (6.98%)         |
| HRA – MRA  | (25.49)   | (14.18)                                 | (11.31)             | (44.39%)        |
| <b>Total Funding</b>   | <b>223.28</b>   | <b>174.91</b>                           | <b>(48.37)</b>      | <b>(21.66%)</b> |
| *CR – Council Resources<br>NB there may be small arithmetic variations in the table as figures have been rounded |   |   |                     |                 |
| 4.   | The forecast spend for 2021/22 is £174.91M, giving a total forecast variance of £48.37M, which is a combination of £42.63M net slippage and rephasing and £5.73M potential surplus, as detailed in table 3 below.   |   |                     |                 |
| 5.   | <b><u>Table 3 – Breakdown of 2021/22 Forecast Variance</u></b>  |   |                     |                 |
|  | <b>(Surplus)/<br/>Deficit<br/>£M</b>  | <b>(Slippage)/<br/>Rephasing<br/>£M</b> | <b>Total<br/>£M</b> |                 |
|  | Communities, Culture & Heritage   | (0.51)                                  | (3.06)              | (3.57)          |
|  | Customer Service & Transformation   | 0.02                                    | (0.70)              | (0.68)          |
|  | Education & Children's Social Care  | (5.05)                                  | (6.41)              | (11.46)         |
|  | Environment   | 0.00                                    | 0.00                | 0.00            |
|  | Finance & Capital Assets  | 0.00                                    | 0.00                | 0.00            |
|  | Growth  | (1.16)                                  | (0.17)              | (1.33)          |
|  | Health & Adult Social Care  | 0.00                                    | 0.00                | 0.00            |
|  | <b>Total General Fund</b>   | <b>(6.71)</b>                           | <b>(10.34)</b>      | <b>(17.05)</b>  |
|  | Housing Revenue Account   | <b>0.98</b>                             | <b>(32.30)</b>      | <b>(31.32)</b>  |
|  | <b>Total Capital Programme</b>  | <b>(5.73)</b>                           | <b>(42.63)</b>      | <b>(48.37)</b>  |
| NB. there may be small arithmetic variations in the table as figures have been rounded                           |   |   |                     |                 |
| 6.   | The General Fund programme forecast position is a surplus of £6.71M and the HRA is £0.98M deficit. The reasons for the major forecast variances changes since the end of quarter 1 are detailed in Annex 2.1.   |   |                     |                 |
| 7.   | <p>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.</p> <p>Forecast net slippage and rephasing is £42.63M, £10.34M of General Fund and £32.30M of HRA. Details of projects with major forecast slippage and where any rephasing has been applied are provided in annex 2.2.</p> <p>A thorough mid-year review has been taken of the HRA programme to ensure a realistic in year programme that can be achieved, resulting in the significant level of slippage.</p> |   |                     |                 |

|  |   |
|--|---|
|  | <b>COVID-19 IMPACT</b>  |
| 8.                                     | <p>There has been no significant impact to report to date as a result of COVID-19. There was significant slippage from 2020/21 into the current year but it is felt that this work is achievable alongside the planned projects for 2021/22.</p> <p>Regular review will be maintained on capital works to assess the impact of COVID-19 and any adjustment needed to the programme as a result, which will be reported at the earliest opportunity.</p>                             |
|  | <b>CAPITAL RESOURCES</b>  |
| 9.                                     | <p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> <li>• Central Government Grants and from other bodies</li> <li>• Contributions from third parties</li> <li>• Council Resources - Capital Receipts from the sale of HRA assets</li> <li>• Council Resources - Capital Receipts from the sale of General Fund assets</li> <li>• Revenue Financing</li> <li>• Council Resources – Borrowing</li> </ul>         |
| 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 unringfenced. However, in 2021/22 these grants have been passported to these areas.   |
| 12.                                    | Annex 2.3 details the current level of available resources. This shows that the largest resource currently un-earmarked is S106 developer contributions. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases were required for new projects. This has resulted in additions to the capital programme detailed in the programme update paper on this agenda. |
|  | <b>OVERALL CAPITAL PROGRAMME AND FINANCING</b>  |
| 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 2.4.  |
| 14.                                    | The most significant amount of funding for the General Fund programme is provided by council resources, which at present, is mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funded by Major Repairs Reserve (direct revenue contribution).  |
| <b><u>SUPPORTING DOCUMENTATION</u></b> |   |
| <b>Annexes</b>                         |   |
| 1.                                     | GF & HRA Major Forecast Variances as at September 2021.   |
| 2.                                     | GF & HRA Slippage & Rephasing as at September 2021.   |
| 3.                                     | GF Capital Resources Available as at September 2021.  |
| 4.                                     | GF & HRA Revised 5 Year Programme and Use of Resources.   |

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### GF & HRA Major Forecast Variance Since Last Reported Position

|    | <b>Growth</b>  |
|----|--|
| 1. | <p><u>Former Toys R Us Development (Surplus of £0.25M in 21/22 and £26.70M in 22/23)</u></p> <p>Under new commercial terms for the proposed development on the former Toys R Us site the Council will no longer fund the construction of a new office building as approved by Council in September 2019. The budget is therefore no longer required, and the project can be removed from the capital programme.</p>  |
|    | <b>HRA</b>   |
| 2. | <p><u>External Windows and Doors ( Nil Surplus, adverse movement of £1.29M)</u></p> <p>Following an extensive review of the whole HRA programme it is felt that this budget is required to complete all planned works and will now be slipped to into 2022/23.</p>   |
| 3. | <p><u>Fire Safety / Sprinkler Project (Deficit of £2M, adverse movement of £2M)</u></p> <p>Additional spend has been identified around additional fire stopping and flat ventilation requiring replacement of non-functioning extract fire damper cones with fire damper grilles to ensure adequate extraction and protection against smoke and fire spread. In addition to this, existing ducts and grilles were found to contain asbestos containing products, which requires protection to be put in place while the original plan for upgrading the system as a separate project is subject to a feasibility exercise. As a result, this project is forecasted to have a deficit of just over £2M.</p> |
| 4. | <p><u>Structural Works (Deficit of £0.20M, favourable movement of £0.08M)</u></p> <p>The deficit is due to small backlog of works arising from restricted access under COVID restrictions in early 2021/22 of minor concrete repairs and four bay window replacements required.</p>  |
| 5. | <p><u>Fire Risk Assessment Reviews (Surplus of £0.8M, favourable movement of £0.8M)</u></p> <p>This budget has been identified within the HRA revenue budget and therefore not required in the Capital programme.</p>  |

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### Forecast Major GF & HRA Slippage & Rephasing Since Last Reported Position

|    |   |
|----|---|
|    | <b>Communities, Culture &amp; Heritage</b>  |
| 1. | <u>Disabled Facilities Grants (Slippage of £1.01M from 2021/22 into 2022/23)</u><br>Forecast for DFG spend has been updated based on historic spend levels and year to date awards. Unspent grant has been slipped to support DFG expenditure plans in future years.  |
| 2. | <u>S106 – Affordable Homes (Slippage of £1.12m from 2021/22 into 2022/23)</u><br>Unallocated balance of s106 with no current identified project allocation will be slipped to 2022/23 to support future projects.   |
|    | <b>Education &amp; Children's Social Care</b>   |
| 3. | <u>R&amp;M Programme for Schools (Slippage of £1.14M from 2021/22 to 2022/23, £0.61M increase from last reported position)</u><br><br><u>Oakwood Primary School replacement of roof coverings £0.46M</u><br>Initial intention was to progress works via the SCC Roofing Framework. Initial returns from the framework contractor however appeared unrealistic and considered not to provide value for money. Design and specification works are now progressing to facilitate an open tender process. Additionally, rephasing of the programme was requested by, and agreed with, the school in light of their concerns over place capacity in respect of their required Covid measures. Works has therefore been rephased for delivery in 2022/23. |
| 4. | <u>St George's Expansion (Slippage of £0.48M from 2021/22 to 2022/23, £0.11M increase from last reported position)</u><br>The start date of the works is currently anticipated to be deferred further from Feb 2022 to March 2022, due to the Stage 3 Design taking longer than planned. This was a result of performance issues in respect of the externally resourced architectural technologist which have now been resolved. The architects had to supplement resource from within the existing SCC team to cover this role when the secondee was let go.   |
| 5. | <u>Newlands Hearing Centre (Slippage of £0.55M from 2021/22 to 2022/23, £0.20M increase from last reported position)</u><br>Review of the design required to bring the scheme back into budget has impacted on project programme. Anticipated spend has therefore been realigned. Further reprofiling may be required as the project develops.  |
| 6. | <u>SEND Review (Slippage £4.13M from 2022/23 to 2021/22, £0.43M increase from last reported position)</u><br>Feasibility study is currently underway to determine the Green Lane phase 2 requirement and approval has been given to proceed with RIBA stage 2 design works in 2021/22. All other works will commence once the project is approved as part of February budget setting, following the outcome of the feasibility studies which should be completed by the end of 2021.  |

|     |  |
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|     | <b>Environment</b>   |
| 7.  | <p><u>Purchase of Vehicles (Slippage of £0.70M from 2021/22 into 2022/23)</u><br/> The ongoing impact of the pandemic and Brexit on national supply chains has resulted in a pressure on the supply of vehicle engine management micro-chips. This has caused delays in vehicle production and has extended leads times. This means that the budget for the vehicle replacement programme is unlikely to be fully utilised in year.</p>  |
|     | <b>Growth</b>  |
| 8.  | <p><u>Town Depot (Chapel Riverside) (Slippage of £0.17M from 2021/22 into 2022/23)</u><br/> The redevelopment of the former Town Depot site, now called Chapel Riverside, continues to progress in phases. The next phases are now expected to be delivered up to 2023. The budget needs to be slipped to ensure resources are available to meet development costs as the freeholder.</p>  |
|     | <b>HRA</b>   |
| 9.  | <p><u>External Windows and Doors (Slippage of £1.1M from 2021/22 into 2022/23)</u><br/> Works involving window and door replacements undertaken by Housing Operations has faced challenges with the appointment of a suitable material supplier. This has led to the start of the project being later than anticipated. As a result, the full anticipated budget will not be spent, and works to be slipped into 22/23.</p>  |
| 10. | <p><u>Electrical Heating Systems (Slippage of £2.65M from 2021/22 into 2022/23, 2023/24, 2024/25)</u><br/> The new electrical heating systems have not been fully developed in line with the strategy for heating replacements. The project will continue to explore ways forward in line with good asset management principles, but no contract has been entered into at this stage. It is possible that the decision will be taken to merge this project in with other projects for a better strategic approach though some heaters will be used in some projects and urgent replacements will still be undertaken to prevent system failures.</p> |
| 11. | <p><u>Townhill Park Regeneration (Slippage of £6.36M from 2021/22 into 2022/23)</u><br/> The Townhill Park Regeneration budget is currently profiled predominantly in 2021/22; of the £10M budget, £7.51M is currently profiled to 2021/22, and this is not reflective of the planned timeline for decommissioning, demolition, and delivery works. The primary activity in 2021/22 will be the decommissioning and demolition works for Plot 9, with estimated cost of £1.19M. It is therefore proposed that £6.31M is slipped between 2022/23 and 2024/25 according to the current timelines.</p>  |
| 12. | <p><u>Right to Buy - Satisfactory Purchase Scheme (Slippage of £2.831M from 2021/22 into 2022/23)</u><br/> The Satisfactory Purchase Scheme budget is in place for purchase of properties to replace properties sold under the Right to Buy scheme. No property purchases were made in the first half of 2021/22 and no further purchases are currently planned, pending a review of the wider new homes programme. It is proposed that the budget is therefore slipped pending a formal policy decision on future HRA property purchases.</p>   |

|     |   |
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| 13. | <p><u>Energy Company Obligations - Canberra Towers (Slippage of £5.76M from 2021/22 into 2022/23)</u></p> <p>Project for improving energy efficiency at Canberra Towers - Review of original brief provided to our contractor, AECOM, is underway. SCC and AECOM surveyor are reviewing and pinpointing water ingress and changes to the scope moving forward, including energy efficiency options for the block. As a result, the budget is being slipped into 2022/23 pending the outcome of that review.</p> |
| 14. | <p><u>Insulation Upgrades (Slippage of £0.76M from 2021/22 into 2022/23)</u></p> <p>The new insulation installations have required the recruitment of several operatives within Housing Operations. This has not been as quick as expected due to staff shortages, COVID and other priorities and so far, only one team has been appointed. This will impact on ability to progress works in 2021/22 and as a result, the project is being slipped into future</p>  |
| 15. | <p><u>Milbank House EWI Refurbishment (Slippage of £0.80M from 2021/22 into 2022/23)</u></p> <p>An appraisal is being undertaken on this project to determine whether it is viable to undertake the work. The consultant brief for the appraisal is currently with procurement, and after allowing for the review to be undertaken, works are unlikely to take place in 2021/22. As a result, the works are to be slipped into 2022/23 pending the outcome of feasibility work.</p>                             |
| 16. | <p><u>GN New Homes (Slippage of £5.02M from 2021/22 into 2022/23, 2023/24 and 2024/25)</u></p> <p>Following a review of the programme the budget profiled to 2021/22 of £5.52m is not reflective of the current programme for plots 2,9 and 10 Townhill Park. The primary activity in 2021/22 will be the design development at an estimated cost of £0.50m. It is therefore proposed that £5.016m is slipped to future years.</p>  |

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# Agenda Item 15

## Appendix 13

### Capital Resources Available as at September 21 (Capital Receipts; Community Infrastructure Levy and Section 106 funds)

| <b>Resource</b>  | <b>Balance Bfwd<br/>£M</b> | <b>Received to Date<br/>2020/21<br/>£M</b> | <b>Allocated to<br/>Current<br/>Programme<br/>£M</b> | <b>Ear-<br/>marked<br/>£M</b> | <b>Available<br/>Funding<br/>£M</b> | <b>Anticipated<br/>Receipts<br/>£M</b> |
|------------------|----------------------------|--|--|-------------------------------|-------------------------------------|--|
| Capital Receipts | (0.01)                     | (1.50)                                     | 1.90   | 0.00                          | 0.39                                | (0.52)                                 |
| CIL              | (14.93)                    | (0.74)                                     | 4.52   | 10.75                         | (0.40)                              | (0.26)                                 |
| S106             | (9.94)                     | (0.17)                                     | 6.70   | 0.00                          | (3.41)                              | (0.25)                                 |
|                  | <b>(24.88)</b>             | <b>(2.41)</b>                              | <b>13.12</b>   | <b>10.75</b>                  | <b>(3.42)</b>                       | <b>(1.03)</b>                          |

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

### **General Fund Capital Receipts Forecast**

|                  | <b>Bfwd<br/>£M</b> | <b>2021/<br/>2022<br/>£M</b> | <b>2022/<br/>2023<br/>£M</b> | <b>2023/<br/>2024<br/>£M</b> | <b>2024/<br/>2025<br/>£M</b> | <b>2025/<br/>2026<br/>£M</b> | <b>Total<br/>£M</b> |
|------------------|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------|
| Current Forecast | (0.01)             | (2.02)                       | (1.49)                       | 0.00                         | 0.00                         | 0.00                         | (3.52)              |

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

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## Appendix 14

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

#### Programme Comparison

|                    | 2021/<br>2022<br>£M | 2022/<br>2023<br>£M | 2023/<br>2024<br>£M | 2024/<br>2025<br>£M | 2025/<br>2026<br>£M | Total<br>£M |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Revised Programme  | 223.28              | 294.71              | 142.90              | 83.51               | 33.48               | 777.88      |
| Previous Programme | 223.28              | 294.80              | 142.88              | 83.49               | 33.45               | 777.88      |
| <b>Movement</b>    | <b>0.00</b>         | <b>(0.09)</b>       | <b>0.03</b>         | <b>0.03</b>         | <b>0.03</b>         | <b>0.00</b> |

| Programme                          | 2021/<br>2022<br>£M | 2022/<br>2023<br>£M | 2023/<br>2024<br>£M | 2024/<br>2025<br>£M | 2025/<br>2026<br>£M | Total<br>£M   |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| Communities, Culture & Heritage    | 8.87                | 24.14               | 4.10                | 0.05                | 0.00                | 37.15         |
| Customer Service & Transformation  | 16.04               | 4.57                | 3.31                | 3.02                | 0.00                | 26.92         |
| Education & Children's Social Care | 44.49               | 47.82               | 1.97                | 0.03                | 0.03                | 94.34         |
| Environment                        | 2.90                | 0.27                | 0.08                | 0.00                | 0.00                | 3.25          |
| Finance & Capital Assets           | 3.58                | 1.00                | 1.00                | 1.00                | 0.00                | 6.58          |
| Growth                             | 77.27               | 139.16              | 34.30               | 13.80               | 3.83                | 268.35        |
| Health & Adult Social Care         | 0.22                | 0.10                | 0.10                | 0.07                | 0.00                | 0.48          |
| <b>Total General Fund</b>          | <b>153.36</b>       | <b>217.04</b>       | <b>44.86</b>        | <b>17.96</b>        | <b>3.86</b>         | <b>437.08</b> |
| Housing Revenue Account            | 69.92               | 77.67               | 98.05               | 65.55               | 29.62               | 340.81        |
| <b>TOTAL CAPITAL PROGRAMME</b>     | <b>223.28</b>       | <b>294.71</b>       | <b>142.90</b>       | <b>83.51</b>        | <b>33.48</b>        | <b>777.88</b> |

| Use of Resources         | 2021/<br>2022<br>£M | 2022/<br>2023<br>£M | 2023/<br>2024<br>£M | 2024/<br>2025<br>£M | 2025/<br>2026<br>£M | Total<br>£M     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| *CR - GF Borrowing       | (53.38)             | (137.03)            | (16.46)             | (12.76)             | (1.91)              | (221.55)        |
| *CR - HRA Borrowing      | (28.72)             | (37.11)             | (60.22)             | (30.30)             | (2.24)              | (158.59)        |
| Capital Receipts         | (9.52)              | (14.18)             | (9.01)              | (4.32)              | (2.77)              | (39.78)         |
| Direct Revenue Financing | (13.70)             | (9.49)              | (3.50)              | (2.50)              | (1.91)              | (31.10)         |
| Capital Grants           | (86.78)             | (69.33)             | (24.90)             | (2.70)              | (0.03)              | (183.73)        |
| Contributions            | (5.69)              | (6.05)              | (6.70)              | (8.23)              | (1.19)              | (27.86)         |
| HRA – MRA                | (25.49)             | (21.53)             | (22.12)             | (22.71)             | (23.42)             | (115.27)        |
| <b>Total Financing</b>   | <b>(223.28)</b>     | <b>(294.71)</b>     | <b>(142.90)</b>     | <b>(83.51)</b>      | <b>(33.48)</b>      | <b>(777.88)</b> |

\*CR – Council Resources

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

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|                               |  |                                 |                   |
|-------------------------------|--|---------------------------------|-------------------|
| <b>DECISION-MAKER:</b>        | <b>CABINET</b>                         |                                 |                   |
| <b>SUBJECT:</b>               | <b>TOYS R US SITE COMMERCIAL TERMS</b> |                                 |                   |
| <b>DATE OF DECISION:</b>      | <b>15 NOVEMBER 2021</b>                |                                 |                   |
| <b>REPORT OF:</b>             | <b>CABINET MEMBER FOR GROWTH</b>       |                                 |                   |
| <b><u>CONTACT DETAILS</u></b> |  |                                 |                   |
| <b>AUTHOR:</b>                | <b>Name:</b>                           | <b>James Mercer</b>             | Tel: 023 80834012 |
|                               | <b>E-mail:</b>                         | James.mercer@southampton.gov.uk |                   |
| <b>Director</b>               | <b>Name:</b>                           | <b>Kate Martin</b>              | Tel: 023 80834670 |
|                               | <b>E-mail:</b>                         | kate.martin@southampton.gov.uk  |                   |

|   |       |  |
|---|-------|--|
| <b>STATEMENT OF CONFIDENTIALITY</b>   |       |  |
| <p>The appendices to this report contains information deemed to be exempt from general publication based on Category 3 of Paragraph 10.4 of the Council's Access to Information Procedure Rules. This includes details of a proposed transaction which, if disclosed prior to contract, could put the Council or other parties at a commercial disadvantage.</p>  |       |  |
| <b>BRIEF SUMMARY</b>  |       |  |
| <p>The report advises Cabinet of the proposals to grant the existing leaseholder of the former Toys R Us site a development agreement and new long leasehold interest in the site to facilitate a mixed-use redevelopment. This will contribute to the delivery of new homes, leisure, public realm and employment accommodation within a City Centre location and in close proximity to a public transport node.</p> |       |  |
| <b>RECOMMENDATIONS:</b>   |       |  |
|   | (i)   | That the commercial & financial terms and related recommendations set out in confidential Appendix 1 be agreed by Cabinet.   |
|   | (ii)  | Following consultation with the Deputy Leader who is the Cabinet Member for Growth and Executive Director of Finance and Commercialisation, that the Executive Director of Place be given delegated authority to finalise the detailed terms of this transaction.  |
|   | (iii) | Following consultation with the Executive Directors of Finance, Commercialisation and Place, that the Director of Legal & Business Operations be given delegated authority to enter into any commercial agreements required to facilitate this transaction and any other legal documentation related to the proposed scheme (the Council acting in its capacity as a landowner). |
|   | iv)   | Approve the removal of the Former Toys R Us Site Redevelopment project from the Growth portfolio in the capital programme. This is a reduction of £0.25M in 2021/22 and £26.70M in 2022/23 as this is now being funded by the developer.   |

| <b>REASONS FOR REPORT RECOMMENDATIONS</b>          |   |
|--|---|
| 1.   | As freehold landowner, the Council wishes to see the strategically important former Toys R Us site (identified on the Plan at Appendix 3) redeveloped for a mix of uses consistent with its ambitions for the City Centre.  |
| 2.   | Delivering the desired outcomes will necessitate changes to existing tenure arrangements, including extension of the current ground lease, to enable the proposed scheme to be funded by the developer.   |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b> |   |
| 3.   | Do nothing – the existing lease has insufficient years remaining to secure development funding for a scheme of the scale now proposed. If no lease or development agreement is approved, the current leaseholder will need to re-use the existing building on site to re-let it for a retail use. This would not achieve the Council’s own regeneration objectives for the site nor support delivery of new homes and improvements to public realm. The redevelopment of this site is likely to be the first major development project within the proposed Mayflower Quarter Masterplan area and will help to act as a catalyst for further regeneration in the City. |
| 4.   | Sell the Council’s freehold interest – this would sub-optimize long-term returns, deny the Council substantive influence over redevelopment of this key site and risk a scheme coming forward which failed to deliver on key city vision objectives.  |
| 5.   | Council buy out head-lease and develop the site itself – It is unlikely the head-lessee would be willing to sell its interest at the current time. If it was to sell the interest, this would involve significant (unbudgeted) capital expenditure and substantial project resources that the Council does not have. It is therefore considered preferable to work with a willing partner/investor using the Council’s influence as landowner and planning authority, to deliver a scheme consistent with its corporate and social priorities.  |
| <b>DETAIL (Including consultation carried out)</b> |   |
| 6.   | The Council is the freeholder of the former Toys R Us site, which currently comprises a large superstore structure with open surface car parking. The site also accommodates a geothermal well, connected to the local energy network.  |
| 7.   | The Toys R Us business collapsed in early 2018 and shortly afterwards the property company (Toys R Us Properties Ltd) which by then held the lease interest in the site, was placed in receivership by its creditors. The existing lease has insufficient years remaining to secure development funding for a scheme of the use types and scale now proposed. The permitted user clause in the lease is also restricted. The leasehold interest was acquired by Packaged Living in May 2021 and is seeking a new longer lease and a development agreement to enable it to complete a comprehensive redevelopment of the site.   |

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| 8.  | Pre-application discussions with the Council planners have now commenced and it is expected a planning application will be submitted at the end of 2021. A public consultation has been undertaken by Packaged Living to set out initial proposals to seek feedback from stakeholders and members of the public. This was run on-line as well as an in-person exhibition on the 8 <sup>th</sup> October at the MAST Studio in Southampton.  |
| 9.  | The redevelopment of the site will provide a mix of new homes including a range of build to rent (BtR) and 'for-sale' homes, retail, leisure and office accommodation. The development will also deliver the Maritime Promenade, a link from the north of the site, adjacent to the railway station, through to Harbour Parade in the south, to greatly improve pedestrian and cycle connectivity towards west Quay Retail Park, West Quay Shopping Centre and the rest of the City centre. The proposals shared by the developer to date are compatible with the Council's current planning policy and longer-term vision for the City Centre.   |
| 10. | <p>In summary, the proposed redevelopment of the site will comprise:</p> <ul style="list-style-type: none"> <li>• c.600 dwellings (see para 16 regarding affordable housing)</li> <li>• c.65,000 sq ft of office space</li> <li>• c.23,000 sq ft of retail space</li> <li>• c.48,000 sq ft of hotel or office space</li> <li>• Maritime Promenade – a new pedestrian link between station and Harbour Parade</li> <li>• Additional areas of public realm</li> <li>• 170 podium covered car parking spaces</li> </ul> <p>The proposed development is expected to extend between seven and 24 storeys in height (inclusive of podium), subject to discussion with the Council planners.</p> <p>There is scope for the precise mix of uses to adapt in response to market conditions but, in addition to planning controls, it's freehold land ownership will enable the Council to influence the final scheme content with the developer.</p> |
| 11. | <p>Council Officers have been discussing development proposals and commercial terms with Packaged Living over the past few months and have now reached preferred terms on the commercial agreement.</p> <p>The commercial terms have also been appraised via an independent valuation under S123 of the Local Government Act 1972, to ensure the terms reflect 'best consideration' for the Council.</p>  |
| 12. | The Council will work with the developer so that environmental considerations for the City are reflected in the new development, including use of latest building technologies and significant 'greening' of the public realm. The residential elements will be built to the most recent design standards and the developer is currently intending that the commercial buildings will be designed to achieve BREEAM 'Excellent' ratings, employ low carbon technologies which is an approach supported by the Council.  |

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| 13. | Southampton City Centre would benefit from this private investment to support recovery from the Covid-19 pandemic and grow the local economy. The new scheme is estimated to create approximately 270 Full Time Equivalent (FTE) construction jobs during 3-4 years of building works. The number of new FTE jobs created by the complete development is estimated to be in the order of 590, split across the proposed offices, retail and leisure businesses.   |
| 14. | In financial terms, the granting of a new lease will generate a capital sum for the Council and there is also potential to generate further receipts from a profit share, subject to a minimum priority return being achieved by the developer, as explained in Appendix 1.   |
| 15  | Much of the legal work required to progress this matter has already been completed (at the developer's cost) and, subject to Cabinet approval to this paper, a conditional Agreement could be exchanged. This would, in turn, enable the developer to sign agreements with its funding partner and submit a hybrid planning application for the redevelopment of the site and progress towards a start on site in mid-2022, with completion anticipate to be in 2025/26. A hybrid planning application sets out a detailed proposal for the first phase for which full planning permission is sought, while the developer seeks only an outline planning permission for the remainder of the development scheme with detail to be approved via future reserved matters applications. This enables a planning permission to be approved more quickly and allowing some flexibility for future phases that may need to adapt to market conditions and changes to planning policy. |

**RESOURCE IMPLICATIONS****Capital/Revenue**

11. Details of the proposed financial offer including a capital sum payable on drawdown of a new lease and the potential for a deferred premium/profit share are provided in Appendix 1.

Within the existing capital programme is a budget of £26.95M to fund the development of an office on the site, as approved by Council in September 2019. Under the proposed commercial terms, the Council will no longer be funding this and the corresponding budget is to be removed from the capital programme.

|                                   | 2021/22 | 2022/23 | Total |
|-----------------------------------|---------|---------|-------|
|                                   | £M      | £M      | £M    |
| Former Toys R Us Site Development | 0.25    | 26.70   | 26.95 |

12. There are no material capital or revenue expenditure implications for the Council, as the developer is fully funding the construction project as well as covering a majority of the Council's costs such as external legal fees and officer time, up to an agreed cap. Details of this cap is set out in Appendix 1. To verify the commercial proposal the Council has undertaken a valuation, under s123(2) of the Local Government Act 1972, to verify the deal reflects 'best consideration', which is being funded from existing resources.

13. The construction programme is expected to last 3-4 years and there will be a requirement to assess the potential for the 'deferred premium / overage' at the end of each phase, where any officer time incurred exceeds the funding provided by Packaged Living there may be the requirement for additional officer time to undertake these assessments. The intention is this will be resourced within the budget provision for the development team, or if the need arises for external assistance through the limited budget provision for external help, though the position on resources will need to be kept under review as the work level develops over time.

**Property/Other**

14. The Council will need to closely monitor the project and commercial arrangements related thereto, so a continued 'development management' resource will be needed on this project as mentioned above.

**LEGAL IMPLICATIONS****Statutory power to undertake proposals in the report:**

15. The Council powers to promote this development are Section 123 Local Government Act 1972 and Section 1 Localism Act 2011.

| <b><u>Other Legal Implications:</u></b> |   |
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| 16.                                     | This is property transaction and legally the Council may proceed as outlined in the detailed appendices to this report.   |
| 17.                                     | Packaged Living's long leasehold interest means that, in practice, they are the only party with which the Council can deal, unless compulsory powers were invoked (uncertain, costly and time-consuming) so this is the best opportunity for re-generation of the subject site to be delivered in a reasonable time-frame.  |
| <b>RISK MANAGEMENT IMPLICATIONS</b>     |   |
| 18.                                     | The Council's participation, including any risk management implications, are detailed in confidential Appendix 1 to this report. However, the Council is not taking any active participation in the re-development and (apart from timing of the projected revenue & capital receipts) no financial risks are involved. Whilst there is no guarantee that the site will be fully developed out as outlined there are some mitigations included in the agreements which are outlined in Appendix 1.                    |
| 19.                                     | This scheme is subject to uncontrollable economic events which is normal for schemes with a long delivery timetable.  |
| <b>POLICY FRAMEWORK IMPLICATIONS</b>    |   |
| 20.                                     | The statutory Local Plan currently identifies the subject site as being located in a primarily commercial area. While a planning application is yet to be submitted to the Council, pre-planning application proposals indicate Packaged Living is adhering to current planning policy as well as emerging policy due to be adopted in the future. A planning application will be determined against current policies, which recognise the role of mixed-use development in supporting a vibrant City Centre economy. |
| 21.                                     | This scheme supports many of the Council's strategic objectives around housing, environment, sustainability, Green City and economic development. The emerging Mayflower Quarter Masterplan also recognises this site's potential to contribute to a vision for the City's future prosperity and, while the Packaged Living scheme is proceeding slightly ahead of the plan-making process, the pre-planning application proposals are consistent with the Plan's key growth and regeneration themes.                 |
| 22.                                     | This transaction will deliver much needed regeneration of a site that has been vacant for over three years and will also support the economic growth of the City. The proposals are also consistent with the Council's City of Culture ambitions and long-term objectives of the emerging Mayflower Quarter Masterplan.   |
| 23.                                     | These proposals also support the City's aspirations as a regional, national & global player and align with the Council's City of Culture ambitions.   |
| 24.                                     | Globally, there is a move towards increased urbanisation, with 50% of the world's population soon to be living in cities and Southampton has recently had a renewed housing target to create 27,000 homes by 2040. The proposed redevelopment of the former Toys R Us site represents an  |



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|     | opportunity to deliver a mixed-use City Centre where people can live, work flexibly and spend their leisure time.  |
| 25. | The Council is currently preparing its Economic Growth Strategy 2020-2030. This strategy builds on Southampton's ongoing economic growth and Green City agendas and sets out a plan to restore and renew the economy as a greener, fairer and healthier city. The redevelopment of the former Toys R Us site will improve connectivity from the Central Railway Station to the City Centre as well as deliver new areas of managed public realm. |

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| <b>KEY DECISION?</b>                   | <b>Yes</b>  |
| <b>WARDS/COMMUNITIES AFFECTED:</b>     | <b>Bargate</b>  |
| <b><u>SUPPORTING DOCUMENTATION</u></b> |   |
| <b>Appendices</b>                      |   |
| App 1                                  | Report on Commercial & Financial Terms (confidential)             |
| App 2                                  | Section 123 Report Executive Summary (confidential)               |
| App 3                                  | Site Location Plan  |
| App 4                                  | Packaged Living – Indicative Development Proposals (confidential) |

**Documents In Members' Rooms**

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|   | None  |
| <b>Equality Impact Assessment</b>   |   |
| <b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b> | <b>No</b>   |
| <b>Data Protection Impact Assessment</b>  |   |
| <b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?</b>      | <b>No</b>   |
| <b>Other Background Documents: None</b>   |   |
| <b>Other Background documents available for inspection at: N/A</b>  |   |
| <b>Title of Background Paper(s)</b>   | <b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b> |
|   | Para 3  |

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### APPENDIX 3 Site Location Plan



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| <b>DECISION-MAKER:</b>   | CABINET   |
| <b>SUBJECT:</b>          | UPDATE ON THE CURRENT SOLENT FREEPORT PROPOSALS AND SUPPORT FOR THE SUBMISSION OF THE OUTLINE BUSINESS CASE (OBC) |
| <b>DATE OF DECISION:</b> | 15 NOVEMBER 2021  |
| <b>REPORT OF:</b>        | <b>COUNCILLOR MOULTON - DEPUTY LEADER AND CABINET MEMBER FOR GROWTH</b>   |

| <b><u>CONTACT DETAILS</u></b> |               |  |             |
|-------------------------------|---------------|--|-------------|
| <b>Executive Director</b>     | <b>Title</b>  | <b>Executive Director Place</b>  |             |
|                               | <b>Name:</b>  | Kate Martin  | Tel: 023 80 |
|                               | <b>E-mail</b> | <a href="mailto:Kate.Martin@southampton.gov.uk">Kate.Martin@southampton.gov.uk</a>   |             |
| <b>Author:</b>                | <b>Title</b>  | <b>Economic Development Lead</b>   |             |
|                               | <b>Name:</b>  | Matthew Hill   | Tel: 023 80 |
|                               | <b>E-mail</b> | <a href="mailto:Matthew.Hill@southampton.gov.uk">Matthew.Hill@southampton.gov.uk</a> |             |

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| <b>STATEMENT OF CONFIDENTIALITY</b>   |  |
| Appendix 2 to this report is confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of Councils Access to Information Procedure Rules.   |  |
| <b>BRIEF SUMMARY</b>  |  |
| This report considers the developing outline business case for the Solent Freeport and the national approvals process by HM Treasury (HMT) and the Department for Levelling Up, Housing and Communities (DLUHC) and seeks strategic support to submit this business case as a Board Member of Solent Freeport Consortium Limited (SFCL).  |  |
| Southampton City Council (SCC) has, to date, supported the process of establishing the Solent Freeport, with representation by Leaders of the Council on the Solent Freeport Consortium Limited (SFCL) company from 2020/21 and beyond  |  |
| In the forthcoming period to 31 March 2022 it will be necessary for the partners, including SCC, to support the submission of the final business case and agree a Site Specific Agreement on portion of the wider Waterfront Tax area, known as the Redbridge (Tax) site.<br>Further reports will need to be presented to Cabinet and potentially Council on any financial risks associated with the Full Business Case (FBC), once more details are known and after advice from HM Treasury, DLUHC and BEIS is received in forthcoming months. |  |
| <b>RECOMMENDATIONS:</b>   |  |
|   | (i) Cabinet supports the strategic submission of the next outline business case (OBC) as a Board Member of Solent Freeport Consortium Limited, on or before the 26 November 2021, as part of National Freeport Programme Application process and to agree an appropriate Site Specific Agreement for the Redbridge (Tax) site. |

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|  | (ii) | Cabinet raises any issues outlined in this paper over the current Solent Freeport proposals, to then be shared with the Solent Freeport Consortium Limited (SFCL). |
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**REASONS FOR REPORT RECOMMENDATIONS**

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| 1. | This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information procedure Rules in Part 4 of the City Council’s Constitution, notice having been given to the Chair of the relevant Scrutiny Panel and the Public. The matter requires a decision with the urgency linked to the impending submission of the updated Solent Freeport OBC and given Government’s approval process. For these reasons the decision cannot be deferred for inclusion in the next Forward Plan for decision following 28 clear days’ notice. |
| 2. | The implications of the approval of the Solent Freeport proposal are wide ranging and complex. The approvals process is fast-moving and detailed with several government departments involved and agencies such as BEIS, DLUHC and HMRC.   |
| 3. | <p>The Solent Freeport partnership is complex with a variety of public and private interests and approvals to be managed in unison, as far as possible. Private sector partners also have significant and complex decisions to make and further risks may evolve for all partners.</p> <p>The management of risk by the SCFL Board and the Local Authority partners, particularly the Tax and Customs site partners will be important and will need to be offset against the wider economic benefits.</p>  |

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

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|  | One alternative option is for SCC not to support the emerging Solent Freeport Consortium proposals, however support has been provided to date and with a very challenging approvals process. With most if not all significant approvals being made by government, nationally, SCC not supporting the proposals might only carry limited weight.  |
|  | In future years the Solent Local Authorities might seek to influence the strategic development of the Solent Freeport through a combined or devolved position. At present however the current ‘county deal’ devolution proposals are at a very early stage of consideration. Any devolution ‘package’ could support the accelerated delivery of Freeport infrastructure and devolution aside, local authorities will continue to play a key and active role in shaping Freeports and not just in the short-term. |

**DETAIL (Including consultation carried out)**

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|  | The current timetable for Government approvals of the Solent Freeport proposals is as follows and has been subject to national slippage into 2022. |   |
|  | <b>15 November</b>   | <b>SCC Cabinet – initial Solent Freeport OBC approval</b>   |
|  | <b>26 November</b>   | <b>Deadline for revised Outline Business Case (OBC), critical issues document and addendum</b>  |
|  | <b>Dec 2021 / Jan 2022</b>   | <b>No date is given for the approval of the revised OBC and therefore when confirmation will be given by HMT / DLUHC to proceed with the Full Business Case</b> |

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|   | <b>(FBC). In reality work has already begun on the FBC through the preparation of the OBC.</b>   |
| <b>January &gt; March 2022</b>  | <b>The final FBC guidance may include a further assessment window beyond 4 March 2022</b>  |
| <b>January &gt; March 2022</b>  | <b>If the OBC (+) is approved then a draft version of the FBC has to be shared with DLUHC 3 weeks before the final assessment submission.</b>                            |
| <b>January &gt; March 2022</b>  | <b>Further financial and policy approvals will be required and it is anticipated that a further Cabinet paper will be needed and possibly a final paper for Council.</b> |
| <b>Early March 2022</b>   | <b>This is currently the final assessment window for any remaining FBCs, including the Solent Freeport FBC</b>   |
| <p>In February 2020 the government ran a consultation on proposals to establish Freeports across the UK. It outlined the government’s proposals covering tax, customs, planning and encouraging innovation, and asked for views. The government received 364 unique responses, including a detailed response from Southampton City Council before the consultation closed in July 2020.</p> <p>On 3 November 2020 the Place Leadership Team provided a detailed Freeport scoping report to Cabinet and the Executive Management team. In Jan - March 2021 Cabinet and EMT approvals were secured for submission of Expression of Interest in the UK Freeport Programme.</p> <p>In late January a detailed presentation was provided by the Solent LEP to the Solent Leaders Forum.</p> <p>Through-out 2021 briefings, updates and presentations have been provided to the Economic Growth Strategy Board, at CMBs, with Shadow CMB Place briefings and the both main political groupings.</p> <p>Further briefings will be provided as the approvals process evolves and the Solent LEP Board also propose to provide a Members briefings to all Solent Local Authorities. It may also be necessary to report and seek additional approvals in support of the FBC, if any commitments on Business Rates (NDR) retention and pooling impact on the Medium Term Financial Plan.</p> |  |
| <p>On the 8 April 2021 the Government published details of the selection and decision-making process followed by officials and ministers according to the process and rationale which were published in the Freeport prospectus. 14 bids passed the initial assessment and were then assessed on detail relating to benefits for trade and investment, innovation, regeneration, business cases and private sector involvement, and importantly Net Zero and sustainability.</p>  |  |
| <p>Freeports : Key National Objectives</p> <ol style="list-style-type: none"> <li>1. National hubs for global trade and investment across the UK</li> <li>2. Promote coastal regeneration and job creation - Levelling Up</li> <li>3. Create hotbeds for innovation</li> </ol>  |  |

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|  | <p>Underlying key themes are Net Zero and Decarbonisation of the economy and ensuring the availability of appropriate skills and skills infrastructure to deliver the targets for the free-ports.</p>   |
|  | <p>Now that the UK has left the EU, it is no longer subject to the EU's state aid rules. Nevertheless, the UK remains bound by World Trade Organization rules on subsidies and its commitments under free trade agreements, including that with the EU.</p>   |
|  | <p>Critics of Freeports point to the risk that they will simply transfer business away from other areas (displacement) of the UK without increasing the overall size of the economy. There have also been concerns about risks relating to money laundering and tax evasion.</p>  |
|  | <p>The Solent Freeport encompasses an area which includes the cities and major international ports of Southampton and Portsmouth and the deep water channel running through Southampton Water containing the Waterfront tax site. It contains further smaller tax sites at Southampton Airport and Dunsbury Park and a further customs site at Portsmouth International Port.</p>   |
|  | <p>Within the Solent Freeport; SCC has a Primary Customs Site with-in the Port of Southampton and an element of the wider Waterfront Tax site at Redbridge. The wider Waterfront Tax site currently spans 477 hectares and the Redbridge site is less than 20 hectares, forming less than 5% of the wider Waterfront tax site. The Redbridge component of the wider Waterfront Tax site is therefore a small component of the Waterfront Tax site and as such much of the new development and infrastructure will be in the neighbouring New Forest district.</p> <p>It is planned that the Customs and Tax sites will go live 'operationally' by end of 2021, although final approvals will be in 2022. Freeports are expected to run to at least 2031 and probably 25 years.</p> <p>Freeport status means that normal tax and customs rules do not apply and varying forms of tariff flexibility, tax measures and planning concessions deployed by the Government should help to incentivise private business investment. While these same benefits are offered in some 48 existing enterprise zones across the UK, the key difference is that a Freeport is designed to specifically encourage companies that import, process, add-value and re-export goods.</p> <p>The governance and management of Tax sites and net new investment into Tax sites will be determined by Site Specific Agreements. It will be necessary to negotiate an appropriate agreement for the Waterfront Tax site and potentially for the Redbridge component.</p> |
|  | <p>The Solent Freeport tax sites are forecast to generate the following economic outputs.</p> <p>Over £1.6bn of private investment, of which over £1.0bn has already been identified and is in the pipeline. This includes:</p>   |

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|  | <ul style="list-style-type: none"> <li>• Targeted investments which further enhance the local economic clusters in marine technology, advanced manufacturing and logistics;</li> <li>• Investments from internationally mobile, high innovation firms, attracted due to the tax benefits offered by the Freeport status;</li> <li>• A total of 26,000 jobs created in the Solent and £2.0bn of GVA;</li> <li>• A significant increase in port capacity and resilience, leading to lower port handling costs for UK trade.</li> </ul> <p>Overall it is estimated (KPMG) that approximately 65% of all tax benefits through time will be levied on the Waterfront tax site if the necessary infrastructure is delivered in the New Forest.</p> <p>In terms of Business Rates Retention, over 25 years, it is estimated that up-to 51.5% of retained rates, over £200 million will be levied from the Waterfront tax site, however the Redbridge site makes up only 5% of the total size of the Waterfront tax site and in addition it remains unclear at this time, if the current modelling account for existing Business Rate (NDR) baselines.</p>   |
|  | <p>With-in the Site Specific Agreements the parties (landowner, SFCL and relevant local authority must agree that the type and scale of development on the land holding must be consistent with the Solent Freeport objectives and the vision for the Tax Site.</p> <p>Business Rate Relief is available on certain business premises within Freeport Tax Sites. The relief is available to new and certain existing businesses in the Tax Site from the date the Tax Site is formally designated and shall apply for 5 years from the point at which the End User first receives relief.</p> <p>Agreement will be required that the level of Business Rates Relief that an End User is eligible for on the land holding will be determined by SCC and agreed by SFCL based on an assessment of the type and scale of development proposed by the End User and any proposed Financial Contributions to the Freeport Company to support Freeport Programmes, against the Freeport Objectives and the additional tests and eligibility criteria.</p> <p>The additional tests and eligibility criteria will be an important mechanism to ensure new net investments and associated activities are genuinely additional to the region, minimise deadweight and displacement (i.e. transference of existing business rate activity rather than genuine growth in business rates) and to ensure that Tax Site benefits flow to enhanced outcomes for the sub-region and the city.</p> <p>Tax benefits might enable previously unviable investment to materialise, particularly those investments in capital intensive industries, requiring large sites.</p> |
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|  | <p>Business Rates uplift, retention and the proposed pooling of business rates across the Tax sites is a key proposal in support of financing and investment</p>   |

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|  | <p>of Freeport related proposals. The element relating to SCC is for the Redbridge land as part of the wider Waterfront Tax site and as yet no principles have been agreed in relation to the use of these funds.</p> <p>The potential for retained business rates in the Solent Freeport over a 25-year period is estimated to be over £400 million, if the current modelling is accurate. Finance officers from across the Solent have questioned the modelling and are currently seeking information on the underlying assumptions and projections as part of the work of the s151 Freeport Officers Group.</p> <p>The main objective now for Solent Freeport and the associated Ratings Authorities is to enter into a Memorandum of Understanding (MOU) with the DLUHC, setting out how the retained business rates from the proposed tax sites will be used and in agreeing the key principles of Site Specific Agreements.</p> <p>The underlying intention is to make the incremental business rates from the tax sites available to the Solent Freeport, which could facilitate:</p> <ul style="list-style-type: none"> <li>• Funding the Solent Freeport operational expenditure as required – if funding from partners is insufficient;</li> <li>• Funding specific additional Local Authority operating expenses associated with delivering the tax and custom sites within the Solent Freeport that cannot be met from landowner or end user contributions;</li> <li>• Allow the balance of the business rates growth to be pooled for re-investment into the Freeport's strategic objectives.</li> </ul> <p>Key principles around the projects and programmes within scope for funding through retained business rates will be developed, with examples being:</p> <ul style="list-style-type: none"> <li>• Identified Freeport infrastructure and connectivity needs, in line with agreed local and regional ambitions and strategies;</li> <li>• The UK's Net Zero ambitions as well as regional environmental ambitions, including the Freeport's own net zero strategy;</li> <li>• Innovation and skills developments aligned with HM Government and local objectives to regenerate deprived communities.</li> </ul> |
|  | <p>On governance Ratings Authorities will need to lead the work with the Solent Freeport Consortium Limited (SFCL) to explore the concept, costs and viability and work with Freeport partners to establish a robust and transparent process for agreeing how the proposed pooled business rates will be spent. It is expected that any proposals for pooling will require the majority (or all) of all Freeport Rating Authorities and SFCL to agree before approval of investments to be funded through retained business rates.</p>  |
|  | <p>Delivery of the Solent Freeport is being led by Solent Freeport Consortium Limited (SFCL) incorporated in March 2021. The Board is the key decision making body. It has 12 directors and includes the Leader of SCC as a Core Member.</p>  |



The SFCL company will be initially financed through a membership subscription model. The subscriptions will be used to support the initial operational costs of the company. It is anticipated that contributions of £50,000 per annum from each Freeport Board Core Member be made over the three years 2021/22, 2022/23 and 2023/24. SCC has been asked to contribute accordingly. Additional economic growth budget provision approved by Council in July will contribute the majority of the funding, with £25,000 (2021/22) and £50,000 (2022/23), with the remaining £25,000 from existing budgets.

Portsmouth City Council is the nominated Accountable Body for the Solent Freeport Consortium Limited (SFCL) and also acts as the Accountable Body for the Solent LEP.

The chair of the Solent LEP Board has to date acted as interim Chair of the SCFL, with a recruitment process for an appointed Chairperson, now live on the Solent Freeport website. The Senior Responsible Officer (SRO) for the Solent Freeport is currently the Chief Executive and Executive Director of the Solent LEP,

The primary roles of SCC as a partner is on the SFCL Board, as the key decision-making body. In addition, SCC will be a signatory to a Site Specific Agreement on the Waterfront Tax site in relation to Redbridge land owned and controlled by Associated British Ports and with-in the Port of Southampton estate. The assessments of net new investment by the parties will be an important mechanism in managing inward investments and any associated benefits. SCC will also play an important role in assessing business rates (NDR) liabilities with-in the Redbridge site, in assessing NDR reliefs and uplift in any NDR from net new investments.

SCC may also play a role in determining planning on the Redbridge site and as is the case now with-in the port estate, and primary customs site through permitted development rights (PDR). The government is consulting with Local Planning Authorities in 2021/22 about local planning policy for Freeport spatial areas.

The Freeport prospectus also encourages councils to make greater use of local development orders (LDOs). A LDO specifies one or more acceptable uses within a defined area and its implementation grants upfront permission for developments that conform to these uses as long as they fall within the parameters of the LDO.

Linked to this, as part of the 'Project Speed' agenda to deliver infrastructure projects more quickly and to a higher quality, the Government has also stated that it intends to create a quicker and simpler framework for assessing environmental impact.

In line with the range of radical reforms to England's planning system proposed as part of the Planning for the Future White Paper in August 2020, *'where possible, the Government intends for Freeport locations to act as a*

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|  | <p><i>testbed for some of these wider reforms, such as zoning land for development and reforms to digitise the planning system.'</i></p>   |
|  | <p>The initial OBC for the Solent Freeport proposals was submitted in late July 2021 as part of the ongoing assessment and approvals process. The detail of the OBC has been shared with Board members, although not more widely given the ongoing assessment across various GOV departments.</p> <p>The timeline for the approval of OBCs has been extended and further supplementary information provided by the Solent LEP.</p> <p>The original timeframe for approvals has been extended nationally and supplementary information requested. OBCs were initially scheduled to be approved in September 2021, however some OBCs are continuing to be assessed. Freeport proposals are moving at different speeds and as such extended submissions windows have been offered for the FBCs, beyond November and into 2022.</p> <p>Key submission dates (as at this reporting date) :</p> <ul style="list-style-type: none"> <li>• 26 November for the submission of the enhanced OBC</li> <li>• 4 March 2022 for the submission of the FBC</li> </ul> <p>Within these dates there is also a '<i>clarification period</i>' that will be determined for any technical clarifications about OBC/FBC submissions.</p> |
|  | <p>The Solent Freeport is expected to deliver an additional £2 billion GVA and 26,000 jobs with-in the Solent sub-region over 25 years. In additional, currently, every £1 of additional investment in the Solent sub-region, it is estimated that UK GDP grows by between £2.35 and £3.15.</p> <p>If the economic benefits of the Solent Freeport can be recognised, then the establishment of Freeport could be a very important economic growth initiative for the sub-region.</p> <ul style="list-style-type: none"> <li>• Currently £77.5 billion worth of goods pass through Solent ports, predominately through the Port of Southampton.</li> <li>• Port of Southampton is the UK's number one vehicle handling port</li> <li>• Port of Southampton is the nation's second largest container terminal and the largest export port, handling 14 million tonnes of cargo or 1.5m shipping containers per year.</li> <li>• Southampton is the premier cruise port in Europe, welcoming 1.7m cruise passengers annually, supporting over 15,000 jobs.</li> </ul>  |
|  | <p>Whilst Freeports have the potential to generate net new investment in the Solent sub-region, a strategic aim is to also aim promote regeneration and job creation as part of the Government's policy to level up communities.</p>   |
|  | <p>We have communities experiencing severe deprivation and spatial inequality particularly in our urban areas of Southampton, Portsmouth, Gosport and Havant, as well as on the Isle of Wight.</p>   |

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|  | <p>East Hampshire, Havant, Portsmouth and Southampton all feature as ‘Priority 2’ for the Government’s Levelling Up Fund, with Gosport in a priority one area, reflecting the inequalities which exist within the sub-region.</p> <p>Tax sites are located within and surrounded by areas amongst some of the most deprived in the south east of England.</p>   |
|  | <p>The indices of multiple deprivation (IMD) measure relative deprivation in small areas called lower-layer super output areas (LSOA). Wider Solent Freeport area contains more than 20 LSOA neighbourhoods within the top 10% most deprived in the country, including the residential areas of Weston, Thornhill, Nicholstown and Wimpson.</p> <p>With-in Southampton the ward adjacent to the main Customs site, Redbridge has higher unemployment than the national average and is amongst the 20% most deprived LSOAs in the country and adjacent to 4 LSOAs which are all ranked in the top 10% most deprived.</p>   |
|  | <p>DLUHC have specifically asked for more detail with-in the OBC (+) on how net new investment will support regeneration activities across the Solent sub-region and in particular, provide more jobs for deprived people in the LSOA areas. Additional detail and proactive work with Local Authority partners is now required to strengthen the Freeport proposal. This strengthening work will consider</p> <ul style="list-style-type: none"> <li>• How will wider interventions contribute towards regeneration, skills and Levelling-Up?</li> <li>• How will other initiatives in local economic growth, in place and in housing delivery complement and link to the Freeport to maximise local impact?</li> </ul> <p>These questions still need to be addresses more fully by the Partnership and local authority partners are key enablers to drive this agenda.</p> <p>A Freeport Skills Charter will be established at the outset that will be agreed with all Freeport sites, as part of the Site Specific Agreements and all future occupiers and businesses within the Freeport will contribute to its delivery. DLUHC have also requested more detail on the proposed ‘Skills Charter’ including firm commitments on its scale and contributions.</p> <p>Southampton would seek to ensure this Freeport Skills Charter continues to support the City’s Future Work Programme and National Employment Support City Agreement with Department of Works and Pensions, secured in January 2021.</p> |
|  | <p>Clean growth and decarbonisation</p> <p>It is proposed that various industry-leading green technology initiatives and facilities already exist within the Solent, and that the Freeport will enable the region to support the UK’s pathway to Net Zero by developing innovative approaches and leveraging investment across the tax and customs sites in new technologies and processes through the creation of a Solent Green Growth Institute.</p>   |

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|                                      | <p>All sites within the Freeport will have defined proposals to bring forward or accelerate delivery of clean growth initiatives, including where these align with wider sector-based net zero and decarbonisation approaches being brought forward by government. For example, Portsmouth International Port aims to become the UK's first zero emission port, leading the transition to low carbon marine fuels.</p>   |
|                                      | <p>The innovation, Net Zero and skills priorities for the Solent Freeport will need to build on and complement the Government's growth objectives in 'Build Back Better' (March 2020), the 'Ten Point Plan for a Green Industrial Revolution' (Green Back Better) (Nov 2020) and the maritime decarbonisation plans outlined in Maritime 2050.</p> <p>In addition, Local Authority partners are well placed to ensure a synergy with local plans and strategies. The collective ambition and commitment to achieving clean growth within the Solent is reflected within the recently published HIOW 'Greenprint for South Hampshire' which provides an overarching framework for policy-making, collaboration and co-operation led by the Green Halo Partnership, Universities of Portsmouth and Southampton and the Southern Policy Centre. The Solent Freeport has a critical role to play delivering the Greenprint's five key priorities around Net Zero with Nature; Natural health service; World class blue/green environments; Creating great places through quality design and build; and Centre for excellence in green skills and jobs.</p> |
|                                      | <p>Southampton Port Health Service is responsible for carrying out all the statutory functions of the Port Health Authority in Southampton sea port and airport.</p> <p>The service monitors over 1.2 million TEU (Twenty Equivalent Unit) container movements of cargo, over 79,000 shipping movements and 170 cruise ship arrivals annually with diverse environmental health control functions.</p> <p>Any increase in activity with-in the Port and primary free-port Customs site may carry operational and increased cost implications for the service. Increased activity will most likely be in the medium-term, aligned to port expansion or the expansion of the container port in the short-term.</p>   |
| <p><b>RESOURCE IMPLICATIONS</b></p>  |  |
| <p><b><u>Capital/Revenue</u></b></p> |  |
|                                      | <p>The Council has committed to support the operating costs of the Freeport Consortium over the next 3 years which will include a Chief Executive, support staff and capacity funding to help deliver the objectives of the Freeport. All Freeport core members have been asked for annual contributions over the next three years and the support from Southampton of £50,000 per annum will come from existing budgets including allocations made for supporting economic growth in the July 2021 Budget update at Council.</p> <p><b>Note</b> - * See confidential Appendix for more information. (<i>Exempt Financial Implications appendix – Enclosure 2</i>) This appendix provides an overview of the potential position on operating costs for the Solent Freeport.)</p>   |

|  |  |
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|  | <p>Further modelling is needed to determine the implications for SCC on existing and future proceeds from current national retained Business Rates (NNDR) schemes if the Solent Freeport Tax site at Redbridge is approved. The council should continue to receive an agreed 'baseline' sum equal to the existing business rates level for the tax site, but the details of how this will work have yet to be confirmed.</p> <p>Modelling will also be required to determine the potential uplift in NNDR as this site is developed or existing uses expanded, for example the container terminal. Assumptions, cash-flow and projections information is being sought on the financials supporting the business case, including assumed take from business rates growth available to the Freeport investment expected. As part of the existing Outline Business Case, it is proposed that the growth in business rates is pooled from the various tax sites, to provide a funding source for infrastructure investment. A Memorandum of Understanding will be needed around governance of any pooling of such resources and expectations for businesses cases to support any drawdown of pooled resources etc.</p> <p>Furthermore, financial risk needs to be assessed, including any potential liability from Local Authority participants to support the Freeport business model. For example, if business rate growth falls short of expectations, what implications does this have for investment plans or commitments already made. At present, however, it is expected that growth in business rates arising from the Freeport activity will contribute to the necessary infrastructure, rather than any more direct support from Councils, alongside initial seed capital funding from Government that is expected when full Freeport designation is achieved.</p> <p>Work is ongoing to provide more detailed information to be included in the Full Business Case which is due to be submitted to Government early in the new year which officers will engage with to understand and assess the financial implications for Southampton City Council. The outcome of this work will enable officers to understand any future implications Freeport status may have on the authority and report back further.</p> |
|--|--|

**Property/Other**

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|--|---|
|  | None, unless land owned by SCC on the boundary of the port estate can be utilised in future years to enable new Freeport infrastructure delivery. |
|--|---|

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

|  |  |
|--|--|
|  | The Council's power to become a member of the Solent Freeport Consortium / Company derives from s.1 Localism Act 2011 (general power of competence which allows the Council to do anything a private individual may do provided it is not otherwise prohibited by law) and s.111 Local Government Act 1972 (power to do anything calculated to facilitate, conducive to or incidental to the discharge of any of the Council's functions). The free-port proposals are |
|--|--|

|   |   |
|---|---|
|   | calculated to facilitate the Council's economic development and regeneration functions through the delivery of improved regional trade facilities supporting the economic recovery of the Solent region including Southampton.  |
|   | Freeports are established under the Finance Act 2021 with successful bids designated by secondary legislation following successful submission and approval of full business cases. The designation orders determine the extent to which customs zones and tax sites within Freeports operate under the new freedoms introduced under the Act and, specifically in relation to any proposed tax site in Southampton port, the extent to which Business rates relief (and retention), stamp duty tax relief, structures and buildings allowances, capital allowances and national insurance relief (for employers) will apply.  |
| <b><u>Other Legal Implications:</u></b> |   |
|   | Legislation designating Freeports conforms to Subsidy Control guidance (formerly State aid) and money laundering legislation (specifically relating to import / export transactions within Freeport sites). The Freeport bidding process and business cases being developed for submission include assessments of the impact of the proposals under the Equalities Act 2010 and are required to demonstrate compliance with s.149 (public sector equality duty). In the event the Solent proposals are selected for designation, the Council will be required to exercise a number of its regulatory functions (development control functions within the Freeport zone) having regard to the Freeport objectives, (this may include implementing a Local Development Order to enable development within the Freeport) together with its landholding functions where it owns, maintains, lets or disposes of property within the Freeport zone. A suite of legal documentation for Freeport members dealing with property matters etc. is being developed alongside the business case. |
|   |   |
| <b>RISK MANAGEMENT IMPLICATIONS</b>     |   |
|   | <p>It is proposed that the Executive Directors of Place and Finance, Commercialisation &amp; S151 Officer collate a detailed Risk Register based on a detailed assessment of the final FBC and with a detailed financial analysis of the implications for the Medium Term Financial Plan in relation to Business Rates, uplift, retention and pooling (NDR) and in supporting the operational costs of the proposed Solent Freeport.</p> <p>It is proposed that a risk assessment is produced for the Site Specific Agreement and that the agreement for the wider Waterfront Tax site includes all of the necessary considerations for the Redbridge land. Ideally separate agreements should be developed with each Rating Authority.</p>   |
| <b>POLICY FRAMEWORK IMPLICATIONS</b>    |   |
|   | <p>A full review of all council policy framework and core strategies have taken place and no conflicts have been identified.</p> <p>Southampton City Council corporate plan 2021-2025 supports the key priority for growth and supports Southampton's Maritime economy through being part of the National Freeport Programme UK.</p> <p>The strategies reviewed were:</p> <ul style="list-style-type: none"> <li>• <a href="#">Clean Air Strategy (2019-2025)</a></li> </ul>  |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• <a href="#">Cycling Strategy (2017-2027)</a></li> <li>• <a href="#">Economic and Green Growth Strategy (2020-2030)</a></li> <li>• <a href="#">Health and Wellbeing Strategy (2017-2025)</a></li> <li>• <a href="#">Housing Strategy (2016-2025)</a></li> <li>• <a href="#">Local Transport Plan (2019 – 2040)</a></li> <li>• <a href="#">Safe City Strategy (2022-2027)</a></li> <li>• <a href="#">Southampton City Council Corporate Plan (2020-2025)</a></li> <li>• <a href="#">Draft City of Culture Strategy (2021)</a></li> <li>• <a href="#">Local Spatial Plan and Planning Policies</a></li> </ul> |
|  |   |

|                                    |  |
|------------------------------------|--|
| <b>KEY DECISION?</b>               | Yes  |
| <b>WARDS/COMMUNITIES AFFECTED:</b> | None   |
| <u>SUPPORTING DOCUMENTATION</u>    |  |
| <b>Appendices</b>                  |  |
| 1.                                 | Solent Freeport Consortium Limited – Board and Associate Members |
| 2.                                 | Exempt Financial Implications Appendix                           |

**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. | No |
|--|----|

**Data Protection Impact Assessment**

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

**Other Background Documents**

Other Background documents available for inspection at:

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

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# Agenda Item 19

## Appendix 1

| <b>Member</b>               | <b>Membership Category</b> | <b>Named Representative</b> |
|-----------------------------|----------------------------|-----------------------------|
| ABP                         | Core Member                | Alastair Welch              |
| DP World Southampton        | Core Member                | Aart Hillie Ris Lambers     |
| Eastleigh Borough Council   | Core Member                | Derek Pretty                |
| Hampshire County Council    | Core Member                | Keith Mans                  |
| Havant Borough Council      | Core Member                | Narinder Bains              |
| New Forest District Council | Core Member                | Edward Heron                |
| Portsmouth City Council     | Core Member                | Gerald Vernon-Jackson       |
| Solent Gateway              | Core Member                | Richard Parkinson           |
| Solent LEP                  | Core Member                | Paula Swain                 |
| Southampton City Council    | Core Member                | Dan Fitzhenry               |
| ExxonMobil Fawley Refinery  | Associate Member           | Alex Walsh                  |
| Fawley Waterside Ltd        | Associate Member           | Aldred Drummond             |
| Portico Shipping Ltd        | Associate Member           | Mike Sellers                |
| Southampton Airport         | Associate Member           | Steve Thurston              |
| University of Portsmouth    | Associate Member           | Bob Nichol                  |

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|                          |   |
|--------------------------|---|
| <b>DECISION-MAKER:</b>   | CABINET   |
| <b>SUBJECT:</b>          | CALL-IN OF EXECUTIVE DECISION CAB 21/22 32527:<br>NORTHERN ABOVE BAR PROPERTIES |
| <b>DATE OF DECISION:</b> | 15 NOVEMBER 2021  |
| <b>REPORT OF:</b>        | CHAIR OF THE OVERVIEW AND SCRUTINY<br>MANAGEMENT COMMITTEE                      |

| <b><u>CONTACT DETAILS</u></b> |                |                                |                    |
|-------------------------------|----------------|--------------------------------|--------------------|
| <b>Author:</b>                | <b>Title:</b>  | Scrutiny Manager               |                    |
|                               | <b>Name:</b>   | Mark Pirnie                    | Tel: 023 8083 3886 |
|                               | <b>E-mail:</b> | Mark.pirnie@southampton.gov.uk |                    |

| <b>STATEMENT OF CONFIDENTIALITY</b>  |   |
|--|---|
| <p>Appendices 2-5 are not for publication by virtue of Categories 3 and 7(A) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not considered to be in the public interest to disclose the information because doing so would put the Council or other parties at a commercial disadvantage and prejudice the Council's negotiating position and its ability to achieve best consideration.</p>  |   |
| <b>BRIEF SUMMARY</b>   |   |
| <p>The Chair of the Overview and Scrutiny Management Committee (OSMC) called in the decision made at the Cabinet meeting on 18 October 2021 relating to properties on Northern Above Bar.</p> <p>The Call-in is scheduled to be heard at a meeting of the OSMC on 9 November 2021 and any recommendations by the OSMC will be circulated to Cabinet at the conclusion of the scrutiny meeting.</p> <p>At its meeting on 15 November 2021 Cabinet is requested to respond to the recommendations made by the OSMC, following its consideration of the matter. If no recommendations are forthcoming Cabinet will not be required to consider this item.</p> |   |
| <b>RECOMMENDATIONS:</b>  |   |
|  | (i) That Cabinet considers its response to the recommendations made by the Overview and Scrutiny Management Committee at its meeting on 9 November 2021, should it be required. |
| <b>REASONS FOR REPORT RECOMMENDATIONS</b>  |   |
| 1.   | To comply with the Call-in procedure rules set out in Part 4 of the Council's Constitution.   |
| <b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>   |   |
| 2.   | None  |
| <b>DETAIL (Including consultation carried out)</b>   |   |
| 3.   | A Call-In notice signed by the Chair of the OSMC was received in accordance with Paragraph 12 of the Overview and Scrutiny Procedure Rules set out in                           |

|    |  |
|----|--|
|    | Part 4 of the Council's Constitution. The Call-In notice relates to the following decision made by Cabinet on 18 October 2021: <ul style="list-style-type: none"> <li>Northern Above Bar Properties</li> </ul> |
| 4. | The Call-in notice, attached as Appendix 1, cites the reasons given for the Call-In.   |
| 5. | The OSMC are to discuss the Call-in report at its meeting on 9 November 2021. Any recommendations agreed by the OSMC will be circulated for consideration at the 15 November 2021 meeting of Cabinet.          |
| 6. | Cabinet is requested to consider the recommendations arising from the consideration of the Call-in by the OSMC.  |

### RESOURCE IMPLICATIONS

#### Capital/Revenue

|    |  |
|----|--|
| 7. | As detailed in the Cabinet report dated 18 October 2021 appended to this report. |
|----|--|

#### Property/Other

|    |  |
|----|--|
| 8. | As detailed in the Cabinet report dated 18 October 2021 appended to this report. |
|----|--|

### LEGAL IMPLICATIONS

#### Statutory power to undertake proposals in the report:

|     |   |
|-----|---|
| 9.  | As detailed in the Cabinet report dated 18 October 2021 appended to this report.                              |
| 10. | The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000. |

#### Other Legal Implications:

|     |  |
|-----|--|
| 11. | As detailed in the Cabinet report dated 18 October 2021 appended to this report. |
|-----|--|

### RISK MANAGEMENT IMPLICATIONS

|     |  |
|-----|--|
| 12. | As detailed in the Cabinet report dated 18 October 2021 appended to this report. |
|-----|--|

### POLICY FRAMEWORK IMPLICATIONS

|     |  |
|-----|--|
| 13. | As detailed in the Cabinet report dated 18 October 2021 appended to this report. |
|-----|--|

|                                    |  |
|------------------------------------|--|
| <b>KEY DECISION?</b>               | Yes  |
| <b>WARDS/COMMUNITIES AFFECTED:</b> | All  |
| <u>SUPPORTING DOCUMENTATION</u>    |  |
| <b>Appendices</b>                  |  |
| 1.                                 | Call In Notice   |
| 2.                                 | Confidential Decision Notice – Northern Above Bar Properties |
| 3.                                 | Confidential Decision Report – Northern Above Bar Properties |

|    |  |
|----|--|
| 4. | Confidential Appendix 1 to Decision Report |
| 5. | Confidential Appendix 2 to Decision Report |

**Documents In Members' Rooms**

|    |      |
|----|------|
| 1. | None |
|----|------|

**Equality Impact Assessment**

|  |                          |
|--|--------------------------|
| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out? | Identified in Appendix 3 |
|--|--------------------------|

**Data Protection Impact Assessment**

|   |                          |
|---|--------------------------|
| Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out? | Identified in Appendix 3 |
|---|--------------------------|

**Other Background Documents**

**Other Background documents available for inspection at:**

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


In accordance with rule 12 of the Overview & Scrutiny procedure rules of the Council's Constitution, a request is hereby made that the Scrutiny Manager exercise the call-in of the decision identified below for consideration by Overview and Scrutiny Management Committee.

|   |
|---|
| Decision Number: CAB 21/22 32527– Northern Above Bar Properties |
| Decision Taker: Cabinet   |
| Date of Decision: 18/10/21                                      |

Reason(s) for Requisition of Call-In of Decision:

- Cabinet have taken a decision without the availability of the information required to make an informed assessment of the options available.

Call-In Requested by:

| Name                      | Signature   | Date     |
|---------------------------|---|----------|
| Cllr Fielker – OSMC Chair |  | 26/10/21 |

All Members requesting that a Decision be Called-In must sign this Call-In Notice. A decision may be called in by:

- The Chair of Overview and Scrutiny Management Committee
- Any 2 Members of Overview and Scrutiny Management Committee
- In respect of a Decision relating to Education, any 2 Parent Governor or Church Representatives

Please submit to the Scrutiny Manager within 5 clear days of the publication of the relevant decision.

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