

# CABINET

**Tuesday, 20th August, 2013  
at 5.00 pm**

## **Council Chamber - Civic Centre**

This meeting is open to the public

### **Members**

Councillor Letts, Leader of the Council (Leader)  
Councillor Barnes-Andrews, Cabinet Member for  
Resources

Councillor Jeffery, Cabinet Member for Change  
Councillor Bogle, Cabinet Member for Children's  
Services

Councillor Kaur, Cabinet Member for Communities  
Councillor Tucker, Cabinet Member for Economic  
Development and Leisure

Councillor Rayment, Cabinet Member for  
Environment and Transport

Councillor Shields, Cabinet Member for Health  
and Adult Social Care

Councillor Payne, Cabinet Member for Housing  
and Sustainability

(QUORUM – 3)

### **Contacts**

Cabinet Administrator  
Judy Cordell  
Tel: 023 8083 2766  
Email: [judy.cordell@southampton.gov.uk](mailto:judy.cordell@southampton.gov.uk)

Head of Legal, HR and Democratic Services  
Richard Ivory  
Tel: 023 8083 2794  
Email: [richard.ivory@southampton.gov.uk](mailto:richard.ivory@southampton.gov.uk)

## **BACKGROUND AND RELEVANT INFORMATION**

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

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

### **The Forward Plan**

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

### **Southampton City Council’s Priorities:**

- **Economic:** Promoting Southampton and attracting investment; raising ambitions and improving outcomes for children and young people.
- **Social:** Improving health and keeping people safe; helping individuals and communities to work together and help themselves.
- **Environmental:** Encouraging new house building and improving existing homes; making the city more attractive and sustainable.
- **One Council:** Developing an engaged, skilled and motivated workforce; implementing better ways of working to manage reduced budgets and increased demand.

### **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

Decisions to be discussed or taken that are key

### **Procedure / Public Representations**

Reports for decision by the Cabinet (Part A of the agenda) or by individual Cabinet Members (Part B of the agenda). Interested members of the public may, with the consent of the Cabinet Chair or the individual Cabinet Member as appropriate, make representations thereon.

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

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

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

### **Municipal Year Dates (Tuesdays)**

<b>2013</b>	<b>2014</b>
21 May	21 January
18 June	18 February
16 July	18 March
20 August	15 April
15 October	
19 November	
17 December	

## 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 Personal Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PERSONAL 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 for 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 a, '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

**Agendas and papers are now available via the Council's Website**

### **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.

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

## **EXECUTIVE BUSINESS**

### **3 STATEMENT FROM THE LEADER**

### **4 RECORD OF THE PREVIOUS DECISION MAKING**

Record of the decision making held on 16<sup>th</sup> July 2013 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.

## **MONITORING REPORTS**

### **8 CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2013**

Report of the Cabinet Member for Resources, detailing the financial monitoring for the period to the end of June 2013, attached.

## **ITEMS FOR DECISION BY CABINET**

### **9 APPROVAL TO SPEND ON REPLACEMENT LIBRARY FOR WOOLSTON**

Report of the Cabinet Member for Economic Development and Leisure Services seeking approval to incur the remaining expenditure in the capital programme for the project to deliver the new Woolston library, attached.

### **10 ST MARY'S LEISURE CENTRE MANAGEMENT ARRANGEMENTS - SERVICE CONCESSION 2014 TO 2018**

Report of the Cabinet Member for Economic Development and Leisure regarding management arrangements for St Mary's Leisure Centre, attached.

### **11 RESPONSE TO THE HEALTH AND OVERVIEW SCRUTINY PANEL INTO THE PUBLIC AND SUSTAINABLE TRANSPORT PROVISION TO SOUTHAMPTON GENERAL HOSPITAL**

Report of the Cabinet Member of Environment and Transport reporting the responses to the consultation on the review by the Health Overview and Scrutiny Panel on Public and Sustainable Transport Provision to Southampton General Hospital, attached.

### **12 EASTERN CYCLE ROUTE (LSTF) (LOCAL SUSTAINABLE TRANSPORT FUND) PROJECT - FUNDING APPROVAL**

report of Cabinet Member for Environment and Transport in association with the Cabinet Member for Resources, seeking approval for relevant funding approvals detailed below, to progress the Eastern Cycle Route Project, attached.

### **13 \*ENERGY COMPANY OBLIGATION - DELIVERY PARTNER PROCUREMENT**

Report of the Cabinet Member for Housing and Sustainability, seeking to delegate approval for the Director of People, following consultation with the Cabinet Member for Housing and Sustainability, to award a contract securing a delivery partner to provide a programme using Energy Company Obligation (ECO) funding, attached.

**14 LANDLORD CONTROLLED HEATING CHARGES**

Report of the Cabinet Member for Housing and Sustainability seeking to approve new charges to tenants for landlord controlled heating from 7 October 2013, attached.

**15 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL 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 confidential appendix to the following Item

Appendix 1 is not for publication by virtue of category 3 (financial and business matters) of paragraph 10.4 of the Access to Information Procedure Rules as contained in the Constitution. It is not in the public interest to disclose this information because it contains financial and business information that if made public would prejudice the Council's ability to operate in a commercial environment and obtain best value during a live procurement process prior to final tenders being received and contracts being entered into.

**16 \*CAPITAL FUNDING FOR ADULT SERVICES**

Report of the Cabinet Member for Health and Adult Social Care seeking approval to delegate to the Director of People the responsibility for overseeing the sum identified for maintaining the Council's residential homes to the standards required by the Care Quality Commission, attached.

**17 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL 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 confidential appendix to the following Item

Confidential appendix 1 contains information deemed to be exempt from general publication based on in regard to category 3 of paragraph 10.4 of the Access to Information Procedure Rules. This is required as the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not considered in the public interest to release this information.

**18 \*AWARD OF A WIRELESS NETWORK SERVICES CONCESSION**

Report of the Leader of the Council seeking to award a services concession for the use of Council-owned structures and assets to facilitate the installation and operation of infrastructure for a "limited free to user" and publicly accessible wireless network available in, but not limited to Southampton City Centre, attached.

**19 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL 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 confidential appendix to the following Item

Confidential Appendix 2 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. The appendix includes details of a proposed transaction which, if disclosed prior to entering into a Legal contract, could put the Council at a commercial disadvantage. In applying the public interest test it is not considered appropriate to make public the bids received as this could lead to a revision of bids and, in the event of the transaction failing to complete, prejudice re-tendering of the property, therefore reducing the amount receivable by the Council.

**20 DISPOSAL OF LAND AT TEST LANE**

Report of the Cabinet Member for Resources seeking approval for the disposal of Land at Test Lane, attached.

Monday, 12 August 2013

Head of Legal, HR and Democratic Services



# Agenda Item 4

## SOUTHAMPTON CITY COUNCIL EXECUTIVE DECISION MAKING

### RECORD OF THE DECISION MAKING HELD ON 16 JULY 2013

#### Present:

Councillor Letts	-	Leader of the Council
Councillor Barnes-Andrews	-	Cabinet Member for Resources
Councillor Jeffery	-	Cabinet Member for Change
Councillor Bogle	-	Cabinet Member for Children's Services
Councillor Kaur	-	Cabinet Member for Communities
Councillor Tucker	-	Cabinet Member for Economic Development and Leisure
Councillor Rayment	-	Cabinet Member for Environment and Transport
Councillor Shields	-	Cabinet Member for Health and Adult Social Care
Councillor Payne	-	Cabinet Member for Housing and Sustainability

#### 11. EXECUTIVE APPOINTMENTS

Cabinet approved the following changes to the Executive Appointments register:

Safe City Partnership – Councillor Kaur to replace Councillor Rayment.

Schools Forum – Councillor Lloyd to replace Councillor Keogh.

Standing Conference on Problems Associated with the Coastline  
– Councillor Rayment to replace Councillor Thorpe.

Transport for South Hampshire Joint Committee

– Councillor Rayment to replace Councillor Whitbread.

Corporate Parenting – Councillors Jeffery and Kaur to replace Councillor Thorpe.

Association of Port Health Authorities

– Councillor Rayment to replace Councillor Thorpe.

Safer Roads Partnership for Hampshire and IOW Executive

– Councillor Rayment to replace Councillor Thorpe.

Enterprise First – Councillor Tucker to replace Councillor Thorpe.

Street Lighting PFI Network Board – Councillor Rayment to replace Councillor Thorpe.

Local Government Coastal Issues Special Interest Group

– Councillor Rayment to replace Councillor Thorpe.

Project Integra Management Board – Councillor Rayment to replace Councillor Thorpe.

#### 12. EVENING PARKING CHARGES

DECISION MADE: (Ref: CAB 13/14 10646)

On consideration of the report of the Cabinet Member for Environment and Transport and having received representations from the Southampton Old Bowling Club, residents of Southampton Old Town, the Chamber of Commerce and Members of the Council, Cabinet agreed the following:

- (i) To amend the Strategic Level Parking Policy (previously approved by Cabinet on the 17 March 2008) to allow the establishment of the principle of charging for evening parking charges.
- (ii) To delegate to the Head of Transport, Highways and Parking, in consultation with the Cabinet Member for Environment and Transport, to determine detailed proposals, including costs, permit schemes and advertise Traffic Regulation Orders for evening charges, in accordance with the new policy.
- (iii) To note that the Traffic Regulation Order (TRO) for evening charges will propose the following:
  - A flat rate charge of £2 to apply in the on street city centre pay & display zone from 6pm until 8pm after which time it will be free;
  - Multi storey car parks already charging in the evenings will see no change;
  - Evening car park charges to be introduced in city centre surface car parks at a flat rate of £2 from 6pm to midnight;
  - That the overnight annual car park season ticket charges are reduced from £250 to £150 and that this offer apply to all car parks in the city centre boundary as defined by the map in appendix 4;
  - That the maximum period of stay in the Red Zone during chargeable hours is increased to 2 hours

13. CHARGING FOR RESIDENTS FIRST PARKING PERMITS

DECISION MADE: (Ref: CAB 13/14 10746)

On consideration of the report of the Cabinet Member for Environment and Transport and having received representations from Members of the Council, Cabinet agreed the following:

- (i) To approve in principle the introduction of a charge of £30 for the issue of a first resident's parking permit (for new applicants to the scheme) for all residents' parking schemes in Southampton that are outside of the City Centre, where a charge for a first permit does not already apply, save those listed in recommendation (iii) below.
- (ii) To approve in principle a charge of £15 for the issue of a 3 month temporary parking permit (for new applicants to the scheme) for all residents' parking schemes in that are outside of the City Centre Southampton save those listed in recommendation (iii) below.
- (iii) To exclude the dwellings encompassed by the Northam, Bitterne Manor, and Itchen Residents' Parking Schemes from the charging proposals.
- (iv) To delegate authority to the Director of Environment and Economy to advertise the relevant Traffic Regulation Orders (TRO's) and consider and determine any representations received to those proposals in accordance with the Council's procedures for determining Traffic Regulation Orders.

14. EARLY YEARS EXPANSION PROGRAMME

DECISION MADE: (Ref: CAB 13/14 10794)

On consideration of the report of the Cabinet Member for Children's Services, Cabinet agreed the following:

- (i) To approve, in accordance with Financial Procedure Rules, capital expenditure of £1,361,000; phased £67,000 in 2013/14 and £1,294,000 in 2014/15, from the Children's Services Capital Programme; and
- (ii) Subject to compliance with Contract and Finance Procedure Rules, to delegate authority to the Director of People to do anything necessary to procure and deliver the capital projects set out in Appendix 1 of this report.

15. SOUTHAMPTON CITY COUNCIL PLAN 2013-2016

DECISION MADE: (Ref: CAB 13/14 9086)

On consideration of the report of the Leader of the Council, Cabinet agreed the following:

- (i) To note the recommendations made by the Overview and Scrutiny Management Committee, as reported verbally at the meeting, which, if approved by Council, will be reflected in the final version of the plan.
- (ii) To recommend the draft Council Plan 2013-16, including the council priorities as detailed in Appendix 1, to Council for approval.

16. REDUCING ENERGY CONSUMPTION AND CARBON EMISSIONS IN THE CITY'S STREET LIGHTING SERVICE.

DECISION MADE: (Ref: CAB 13/14 10358)

On consideration of the report of the Leader of the Council, Cabinet agreed the following:

- (i) That lighting levels in residential areas following the installation of new lighting units are reduced by:
  - 25% between dusk and midnight
  - 50% between midnight and 5am
  - 25% between 5am and dawn;
- (ii) That lighting levels on main Primary and Secondary traffic routes, following the installation of new lighting units, be reduced by 25% between midnight and 5am; and
- (iii) To note that some exceptions to this policy for operational reasons may be necessary from time to time and these will be recorded by the street lighting service.

17. COMMUNITY INFRASTRUCTURE LEVY AND PLANNING OBLIGATIONS SUPPLEMENTARY PLANNING DOCUMENT ADOPTION

DECISION MADE: (Ref: CAB 13/14 10797)

On consideration of the report of the Leader of the Council, Cabinet agreed the following:

- (i) To recommend the Community Infrastructure Levy Charging Schedule, the statement of Statutory Compliance (contained within the Charging Schedule) and the Community Infrastructure Levy Instalments Policy (Appendices 1 and 4) to Council for approval;
- (ii) To approve the Developer Contributions Supplementary Planning Document (Appendix 3) and to delegate authority to the Head of Planning Transport and Sustainability to approve the necessary amendments to Appendix A: Commuted Sums Tables contained therein; and
- (iii) To delegate authority to the Head of Planning Transport and Sustainability to establish the procedure, following consultation with the Leader of the Council, for how neighbourhood funding from the Community Infrastructure Levy will be allocated.

18. NORTH OF CENTRAL STATION - FUNDING APPROVALS

DECISION MADE: (Ref: CAB 13/14 10798)

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

- (i) Subject to the decision of Council to approve the recommendations set out above, to approve the procurement and delivery of the "North of Station Quarter" capital scheme; and
- (ii) To delegate authority to the Director of Environment and Economy to make decisions necessary to procure and deliver the "North of Station Quarter" scheme within the overall approved budget.

19. UPDATE ON THE PEOPLE SERVICES TRANSFORMATION WORK

DECISION MADE: (Ref: CAB 13/14 10947)

On consideration of the report of the Cabinet Member for Children's Services, Cabinet agreed the following:

- (i) To note the work undertaken between December 2012 and April 2013 in advance of establishing the People Directorate in April 2013.
- (ii) To note the arrangements put in place by the People Directorate to drive the implementation over the next 12 – 18 months. This will lead to the transformation of services in the People's Directorate.

20. \*OAKLANDS SWIMMING POOL

DECISION MADE: (Ref: CAB 13/14 10799)

On consideration of the report of the Leader of the Council, Cabinet agreed the following:

- (i) Approve, in accordance with Financial Procedure Rules, capital expenditure of £18,000 in 2013/14 from the Economic Development and Leisure Capital programme for refurbishment works at Oaklands swimming pool to undertake a detailed feasibility study, subject to approval by Council of the addition of the scheme to the Capital Programme on 17 July 2013.
- (ii) That work to progress the feasibility and business plan development is progressed.
- (iii) Delegate authority to the Head of Legal, HR and Democratic Services, after consultation with the Head of Leisure and Culture, to formalise the arrangement to reopen and operate Oaklands Pool by the preferred community group using whichever form of agreement deemed most appropriate in the circumstances.

21. \*SRB2 REGENERATION PROGRAMME SUCCESSION STRATEGY

DECISION MADE: (Ref: CAB 13/14 10800)

On consideration of the report of the Leader of the Council, Cabinet agreed the following:

- (i) To award a grant of £386,000 to West Itchen Community Trust for the refurbishment of the Acorn Enterprise Centre in Empress Road subject to:
  - Satisfactory appraisal of the WICT business plan relating to Acorn Enterprise Centre;
  - Confirmation of the type and financial cost of proposed grant funded works by a suitably qualified Property Surveyor; and
  - Confirmation of co-investment/match funding on behalf of WICT and of the works programme.
- (ii) To delegate authority to the Director of Environment and Economic Development following consultation with the Head of Legal, HR and Democratic Services, to enter into a grant agreement with West Itchen Community Trust and to do anything necessary to give effect to the payment of the grant.
- (iii) To protect grant monies through the placement of a Legal Charge for 10 years from the date of issue, on Acorn Enterprise Centre.
- (iv) To add, in accordance with Financial Procedure Rules, a sum of £386,000 to the Leader's Capital Programme, for a capital grant towards works at the Acorn Enterprise Centre.
- (v) To approve, in accordance with Financial Procedure Rules, capital expenditure of £386,000 in 2013/14 from the Leader's Capital Programme to award a capital grant.

22. SPECIAL EDUCATION NEEDS STRATEGY

DECISION MADE: (Ref: CAB 13/14 10649)

On consideration of the report of the Cabinet Member for Children's Services, Cabinet agreed to adopt the new SEN Strategy for 2013-2016 attached at Appendix 1.

23. \* IMPLEMENTATION OF THE SOUTHAMPTON CITY COUNCIL ATTENDANCE POLICY

DECISION MADE: (Ref: CAB 13/14 10793)

On consideration of the report of the Cabinet Member for Children's Services, Cabinet agreed to approve the revised School Attendance Policy, attached at Appendix 1 in the report.

# Agenda Item 8

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2013		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Alison Chard	<b>Tel:</b> 023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Alison.Chard@southampton.gov.uk">Alison.Chard@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Mark Heath	<b>Tel:</b> 023 8083 2371
	<b>E-mail:</b>	<a href="mailto:Mark.Heath@southampton.gov.uk">Mark.Heath@southampton.gov.uk</a>	

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

## **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the three months to the end of June 2013, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet.

## **RECOMMENDATIONS:**

### **General Fund**

It is recommended that Cabinet:

- i) Note the current General Fund revenue position for 2013/14 as at Month 3 (June), which is a forecast under spend at year end of **£151,300** against the budget approved by Council on 13 February 2013, as outlined in paragraph 4.
- ii) Note that the baseline forecast over spend for portfolios is just under £7.1M.
- iii) Note that portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report and that the financial impact is reflected in the forecast position.
- iv) Note that the Risk Fund includes £5.7M to cover service related risks, (following the allocation of £94,400 to portfolios), and that the estimated draw at Month 3 is £4.9M to cover expenditure which is included within the baseline forecast portfolio over spend of £7.1M. The portfolio position after the draw from the Risk Fund is an over spend of £2.2M.
- v) Note that £219,000 has been allocated from the contingency to reflect changes to the non residential care (NRC) contributions policy for adult social care as approved by Cabinet on 23 April 2013.

- vi) Note that £128,800 has been allocated from the contingency as approved by Cabinet on 18 June 2013 in order to provide the additional resources that it is forecast will enable the implementation of the recommendations from the Scrutiny Panel A Welfare Reforms Inquiry in full.
- vii) Note that it has been assumed that the remaining contingency, which stands at £110,700, will be fully utilised by the end of 2013/14.
- viii) Note the revised minimum balance of £5.5M, as approved by Council on 13 February 2013, as recommended by the Chief Financial Officer in line with good practice guidance.
- ix) Note the forecast level of balances which will not fall below the revised minimum level of £5.5M in the medium term based on the current forecast.
- x) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2013/14 as detailed in Appendix 10.
- xi) Note the performance against the financial health indicators detailed in Appendix 11.
- xii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 12.

#### **Housing Revenue Account**

It is recommended that Cabinet:

- xiii) Note the current HRA budget monitoring position for 2013/14, as at Month 3 (June). There is a forecast over spend at year end of **£289,600** against the budget approved by Council on 13 February 2013, as outlined in paragraph 37.

#### **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)**

3. Heads of Service, Budget Holders and Directors have been consulted in preparing the reasons for variations contained in the appendices.

#### **Financial Summary**

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an under spend of **£151,300**, as shown below:



	<b>Forecast Outturn Variance £000's</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>7,082.6 A</b>	<b>3.8</b>
Draw From Risk Fund	4,895.5 F	
<b>Portfolio Total</b>	<b>2,187.1 A</b>	<b>1.1</b>
Capital Asset Management	800.0 F	
Non-specific Government Grants	1,538.4 F	
<b>Net Total General Fund</b>	<b>151.3 F</b>	<b>0.2</b>

5. As shown in the above table, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an over spend of £2.2M and this is analysed below:

<b>Portfolio</b>	<b>Baseline Forecast Outturn Variance £000's</b>	<b>Risk Fund Items £000's</b>	<b>Forecast Outturn Variance</b>		<b>See Appendix</b>
			<b>£000's</b>	<b>%</b>	
Change & Communities	132.3 A	171.0 F	38.7 F	1.0	2
Children's Services	4,608.7 A	2,800.0 F	1,808.7 A	5.1	3
Economic Dev & Leisure	130.9 A	115.0 F	15.9 A	0.3	4
Environment & Transport	400.4 A	43.0 F	357.4 A	1.3	5
Health & Adult Services	2,111.4 A	1,630.0 F	481.4 A	0.7	6
Housing & Sustainability	191.2 A	136.5 F	54.7 A	3.1	7
Leader's	45.0 F	0.0	45.0 F	1.1	8
Resources	447.3 F	0.0	447.3 F	1.1	9
<b>Portfolio Total</b>	<b>7,082.6 A</b>	<b>4,895.5 F</b>	<b>2,187.1 A</b>	<b>1.1</b>	

6. The corporate and key issues affecting each portfolio are set out in Appendices 2 to 9, as per the previous table.

### **Remedial Action**

7. Portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report. Specific actions are included within Appendices 2 to 9 where applicable and the financial impact is reflected in the forecast position.

### **Capital Asset Management**

8. The favourable variance of £800,000 is due to forecast interest payable being below that originally estimated, because of lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.
9. Net interest payable is lower than anticipated as a consequence of lower forecast borrowing levels and the fact that when we do borrow it will in all likelihood be at lower rates than originally estimated. Previously lower rates have been achieved through a conscious decision to continue to utilise short term variable rate debt that remains available at lower rates than long term fixed rate debt due to the depressed market. The prediction based on all of the economic data available is that interest rates will remain lower for a sustained period of time and that this situation will therefore continue throughout 2013/14 and beyond.
10. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.82%, which exceeds the performance indicator of the average 7-day LIBID rate (0.45%), mainly due to the rolling programme of yearly investments restarted in November 2012 following advice from our Treasury Advisor.

### **Non-Specific Government Grants**

11. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of £1,538,400. There are three main elements that contribute to this variance:
12. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country. As a consequence of this review, a “refund” has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13. This “refund” has been calculated by the Department for Education as £391,400 and was received in June.
13. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
14. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. As a consequence, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.

15. In addition to this there have been a small number of grant notifications which have differed slightly from the initial assumed level of funding.

### **Risk Fund**

16. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A sum of £5.8M was included in the budget to cover these pressures and is taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.
17. The Risk Fund, which previously stood at £5.8 M, now totals £5.7M following the allocation of £94,400 to cover the loss of income from the closure of Lime Street Car Park. The funding allocated is shown below:

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000's</b>
Environment & Transport	Income – Off Street Car Parking	94.4
<b>Funding Allocated From the Risk Fund</b>		<b>94.4</b>

18. At Month 3, it is estimated that pressures within Portfolios will require the allocation of £4.9M from the Risk Fund, as shown in the table below, leaving a balance of £0.8M:

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000's</b>
Change & Community	Youth Remand	171.0
Children's Services	Tier 4 Services	2,200.0
Children's Services	Safeguarding Mgt & Legal Services	200.0
Children's Services	Child Protection Tier 3 Social Work	400.0
Economic Dev & Leisure	Sport & Rec. Energy	115.0
Environment & Transport	Waste Disposal Contract	43.0
Health & Adult Services	Adult Disability Care Services	630.0
Health & Adult Services	Learning Disability	1,000.0
Housing & Sustainability	Sustainability – CRC Purchases	136.5
<b>Portfolio Draw From Risk Fund</b>		<b>4,895.5</b>

19. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2013/14 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

## **Contingency**

20. The contingency originally totalled £458,500 and of this £347,800 has been allocated in Quarter 1 as shown below:
- Non Residential Care (NRC) Contributions Policy (£219,000) – Allocated from the contingency to fund the impact of changes to the NRC contributions policy for adult social care as approved by Cabinet on 23 April 2013.
  - Welfare Advice (£128,800) – Allocated from the contingency in order to provide the additional resources that it is forecast will enable the implementation of the recommendations from the Scrutiny Panel A Welfare Reforms Inquiry in full as approved by Cabinet on 18 June 2013
21. Any implications for future years from these issues will be reviewed as part of the development of the budget for 2014/15.
22. It has been assumed that the remainder of contingency (£110,700) will be fully utilised by the end of 2013/14.

## **Approved Carry Forward Requests**

23. Full Council has agreed to automatically carry forward any surplus/deficit on Central Repairs and Maintenance at year-end subject to the overall financial position of the Authority. Furthermore, Cabinet has approved the delegation of authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources, to allocate premises related resources (revenue and capital) in order to maximise the efficient use of resources in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy.

## **Potential Carry Forward Requests**

24. Portfolios have not highlighted any potential carry forwards for submission which is as to be expected at this early stage of the year.

## **Key Portfolio Issues**

25. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.
26. It is good practice to recognise that any forecast is based on assumptions about key variables and to undertake an assessment of the risk surrounding these assumptions. Having done this a forecast range has been produced for each corporate and key issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendices 2 to 9.

27. There are, however, certain corporate issues which are highlighted in the tables below as being the most significant for Cabinet to note. The adverse variances are noted in the first table, with any significant favourable variances detailed in the second table:

### **Corporate Adverse Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Adverse Forecast £000's</b>	<b>See Appendix &amp; Reference</b>
Children's Services	Tier 4 Safeguarding	2,830.8	3 – CS 1
Children's Services	Safeguarding Mgt & Legal	485.1	3 – CS 2
Children's Services	Child Protection Tier 3 Social Work	913.1	3 – CS 3
Children's Services	Commissioning, Policy & Performance	274.4	3 – CS 4
Environment & Transport	Off Street Car Parking	674.0	5 – E&T 1
Health & Adult Services	Learning Disability	1,256.7	6 – HAS 1
Health & Adult Services	Complex Care	268.1	6 – HAS 2
Health & Adult Services	Adult Disability Care Services	630.0	6 – HAS 3

### **Corporate Favourable Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Favourable Forecast £000's</b>	<b>See Appendix &amp; Reference</b>
Resources	Resources Contract Mgt	300.6	9 – RES 1

### **General Fund Balances**

28. It is important for Cabinet to consider the position on balances. The table below shows the latest predicted position after taking into account the outturn for 2012/13, the update of the capital programme and the published budget approved by Council on 13 February and the forecast position for 2013/14 as outlined in this monitoring report.

	2013/14	2014/15	2015/16	Future Years
	£000's	£000's	£000's	£000's
<b>Opening Balance</b>	<b>29,923.5</b>	<b>14,658.4</b>	<b>14,958.9</b>	<b>13,566.8</b>
Draw to Support Capital	(522.6)	0.0	0.0	0.0
(Draw to Support) / Contribution from Revenue	1,026.5	4,384.4	2,782.0	1,687.4
Contributions (to) / from Other Reserves	(1,400.0)	0.0	0.0	0.0
Draw for Strategic Schemes	(14,369.0)	(4,083.9)	(4,174.1)	(4,627.2)
<b>Closing Balance</b>	<b>13,658.4</b>	<b>13,958.9</b>	<b>13,566.8</b>	<b>10,627.0</b>

29. The minimum level of balances is currently set at £5.5M and the above prediction indicates that this will be maintained in the medium term. As a consequence in excess of £5.1M is currently available within balances and this can be used to fund future initiatives or contribute to the revenue budget in future years..

#### **Implementation of Savings Proposals**

30. Savings proposals of £16.5M were approved by Council in February 2013 as part of the overall budget package for 2013/14. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the first quarter to highlight the level of risk associated with delivery and Appendix 10 contains further details:

	%
Implemented and Saving Achieved	77.8
Not Yet Fully Implemented and Achieved But Broadly on Track	18.8
Saving Not on Track to be Achieved	3.4
	100.0

31. Where savings are not on track to be achieved and a high level of risk is associated with delivery then this is due to non implementation in some cases but also due to the impact of factors such as rising demand for services which have meant that despite being implemented the estimated level of financial savings have not materialised.
32. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £531,000 or 3% of the total to be delivered. The breakdown of the financial consequences is shown by Portfolio in Appendix 10.

33. In addition to the portfolio details shown in Appendix 10 a corporate saving of £105,000 was also approved from the deletion of a Director's post which has been achieved.
34. The financial implications of the delivery of these proposals are reflected in the current forecast position, areas of ongoing concern have been fully reviewed, and appropriate action plans put into place. In addition, any implications for the budget for 2014/15 and future years will be addressed as part of the development of the budget.

#### **Financial Health Indicators**

35. 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. Appendix 11 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.

#### **Quarterly Treasury Management Report**

36. The Council approved a number of indicators at its meeting of the 13 February 2013 and Appendix 12 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.

#### **Housing Revenue Account**

37. The expenditure budget for the HRA was set at £71.25M and the income budget at £71.25M, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £289,600 compared to this budget.
38. There are no corporate variances to report but the detail is set out in Appendix 13.

### **RESOURCE IMPLICATIONS**

#### **Capital/Revenue**

39. The revenue implications are contained in the report. There are no capital implications.

#### **Property/Other**

40. None.

### **LEGAL IMPLICATIONS**

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

41. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

#### **Other Legal Implications:**

42. None.

### **POLICY FRAMEWORK IMPLICATIONS**

43. None.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
------------------------------------	-----

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Summary
2.	Change & Communities Portfolio
3.	Children’s Services Portfolio
4.	Economic Development & Leisure Portfolio
5.	Environment & Transport Portfolio
6.	Health & Adult Services Portfolio
7.	Housing & Sustainability
8.	Leader’s Portfolio
9.	Resources Portfolio
10.	Implementation of Savings Proposals
11.	Financial Health Indicators
12.	Quarterly Treasury Management Report
13.	Housing Revenue Account

**Documents In Members’ Rooms**

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

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) 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.	General Fund Revenue Budget Report 2013/14 to 2015/16 (Approved by Council on 13 February 2013)	
----	---	--



# Agenda Item 8

Appendix 1

## GENERAL FUND 2013/14 - OVERALL SUMMARY

JUNE 2013

	Working Budget £000's	Forecast Outturn £000's	Forecast Variance £000's
<b>Portfolios (Net Controllable Spend)</b>			
Change & Communities	3,809	3,941	132 A
Children's Services	35,121	39,730	4,609 A
Economic Development & Leisure	5,989	6,120	131 A
Environment & Transport	26,579	26,979	400 A
Health & Adult Services	67,089	69,200	2,111 A
Housing & Sustainability	1,765	1,956	191 A
Leader's Portfolio	4,065	4,020	45 F
Resources	41,993	41,546	447 F
<b>Baseline for Portfolios</b>	<b>186,410</b>	<b>193,492</b>	<b>7,083 A</b>
Net Draw From Risk Fund	4,896	0	4,896 F
<b>Sub-total (Net Controllable Spend) for Portfolios</b>	<b>191,305</b>	<b>193,492</b>	<b>2,187 A</b>
Non-Controllable Portfolio Costs	22,275	22,275	0
<b>Portfolio Total</b>	<b>213,580</b>	<b>215,767</b>	<b>2,187 A</b>
<b>Levies &amp; Contributions</b>			
Southern Seas Fisheries Levy	31	31	0
Flood Defence Levy	32	32	0
Coroners Service	560	560	0
	<b>623</b>	<b>623</b>	<b>0</b>
<b>Capital Asset Management</b>			
Capital Financing Charges	13,357	12,557	800 F
Capital Asset Management Account	(24,585)	(24,585)	0
	<b>(11,229)</b>	<b>(12,029)</b>	<b>800 F</b>
<b>Other Expenditure &amp; Income</b>			
Direct Revenue Financing of Capital	210	210	0
Net Housing Benefit Payments	(882)	(882)	0
Non-Specific Government Grants	(134,450)	(135,988)	1,538 F
Contribution to Transformation Fund	1,000	1,000	0
Collection Fund Surplus	(1,042)	(1,042)	0
Open Space and HRA	436	436	0
Risk Fund	810	810	0
Contingencies	111	111	0
Surplus/Deficit on Trading Areas	36	36	0
	<b>(133,771)</b>	<b>(135,309)</b>	<b>1,538 F</b>
<b>NET GF SPENDING</b>	<b>69,204</b>	<b>69,053</b>	<b>151 F</b>
<b>Draw from Balances:</b>			
To fund the Capital Programme	(210)	(210)	0
Draw from Balances (General)	1,677	1,828	151 F
Draw from Strategic Reserve (Pensions & Redundacies)	(621)	(621)	0
	<b>845</b>	<b>997</b>	<b>151 F</b>
<b>COUNCIL TAX REQUIREMENT</b>	<b>70,049</b>	<b>70,049</b>	<b>0</b>

**CHANGE & COMMUNITIES PORTFOLIO**

**KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to under spend by **£38,700** at year-end, which represents a percentage variance against budget of **1.0%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	132.3 A	3.6
Risk Fund Items	171.0 F	
<b>Portfolio Forecast</b>	<b>38.7 F</b>	<b>1.0</b>

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**COMM 1 – Youth Offending Team (forecast adverse variance £171,000)**

**Transfer of costs of placing Young Offenders in remand from Youth Justice Board**

**Forecast Range £250,000 adverse to £150,000 adverse**

The Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013. Due to the volatile nature of the need for remand, provision for this has been retained in the Risk Fund and the anticipated draw is expected to be £171,000.

**Summary of Risk Fund Items**

<b>Service Activity</b>	<b>£000's</b>
Youth Remand	171.0
<b>Risk Fund Items</b>	<b>171.0</b>

**CHILDREN'S SERVICES PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to over spend by **£1,808,700** at year-end, which represents a percentage over spend against budget of **5.1%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	4,608.7 A	13.1
Risk Fund Items	2,800.0 F	
<b>Portfolio Forecast</b>	<b>1,808.7 A</b>	<b>5.1</b>

The **CORPORATE** issues for the Portfolio are:

**CS 1 – Tier 4 Safeguarding Specialist Services (forecast adverse variance £2,830,800)**

This budget funds the cost of children that have to be taken into care. The number of children in care is **25, (6%)** over the budgeted position. A further increase of **43** placements (or **10.2%** based on the current placement numbers) is anticipated by year end.

**Forecast Range £3.5M adverse to £1.5M adverse**

The increasing number of children having to be taken into care has led to a forecast over spend on fostering of £2,168,400, and on residential placements of £417,300. The over spend on fostering of £2,168,400 includes a forecast over spend of £1,867,100 on Independent Fostering Agency (IFA) placements, and £262,100 on placements with local authority foster carers.

In addition there are various other over spends, such as special guardianship allowances, staying put placements and adoption allowances totalling £245,100.

There has been an over spend of £179,100 on special guardianship and adoption allowances. The increasing numbers of lower cost special guardianship and adoption allowances has primarily resulted from the conversion of higher cost foster care. This results in a corresponding cost saving of between £3,000 and £13,000 per placement per annum. Despite this action, the overall number of children requiring a foster placement has continued to rise.

A draw of £2.2M has been made from the Risk Fund reducing the over spend on Tier 4 Safeguarding Specialist Services to £630,800.

The table outlines the changes in activity levels for 2013/14:

Service	Daily Rate Range	Children Numbers					
		Budget	Budget Plus Risk Fund Provision	April 2013	May 2013	June 2013	Latest Forecast
Fostering up to 18	£20 - £100	311	325	311	305	306	339
IFAs	£86 - £270	62	91	92	98	102	113
Inter Agency Fostering Placements	£56 - £136	0	0	4	3	3	3
Supported Placements or Rent	£16 - £111	13	13	1	1	1	1
Residential - Independent Sector	£257 - £660	10	15	12	10	10	8
Civil Secure Accommodation	£707 - £806	1	1	0	0	0	1
<b>Subtotal Children in Care</b>		<b>397</b>	<b>445</b>	<b>420</b>	<b>417</b>	<b>422</b>	<b>465</b>
Residential (Not Looked After)	£108 - £333	0	0	3	3	3	3
Supported Placements or Rent (Not Looked After)	£16 - £111	0	0	5	5	5	5
Over 18's	£8 - £153	17	17	17	17	21	20
Adoption Allowances	£4 - £38	91	91	96	96	96	96
Special Guardianship Allowances	£2 - £44	49	49	71	73	74	73
Residence Order Allowances	£7 - £18	18	18	17	17	17	17
<b>Total</b>		<b>572</b>	<b>620</b>	<b>629</b>	<b>628</b>	<b>638</b>	<b>679</b>

The children's numbers exclude disability placements, UASC's and children placed at nil cost (e.g. with parents)

### **CS 2 – Safeguarding Management and Legal Services (forecast adverse variance £485,100)**

**Additional legal costs of £273,200 are directly attributable to the increasing number of children in care. Safeguarding management and support services have increased by £211,900 over the budgeted position, mainly due to one off costs for staffing and systems audits and reviews.**

**Forecast Range £600,000 adverse to £200,000 adverse**

This adverse variance is due to unavoidable internal and external legal costs associated with children having to be taken into care. The costs relate to court fees, legal expenses and external counsel. A draw of £200,000 has been made from the Risk Fund reducing the over spend on Safeguarding Management and Legal Services to £285,100.

### **CS 3 – Child Protection Tier 3 Social Work Teams (forecast adverse variance £913,100)**

**The adverse variance reflects the additional cost of agency social work staff in respect of vacancy and absence cover. It also incorporates a forecast over spend arising from the additional costs of court ordered supervised parental contact with their children who have been taken into care.**

**Forecast Range £1.5M adverse to £500,000 adverse**

There is a forecast over spend of £793,200 on child protection 'Tier 3' social work teams. Current market conditions have meant that the supply of social workers remains insufficient and inexperienced to meet rising demand. This means a continuing need for temporary staff, acquired from independent agencies at, on average, twice the cost of a permanently employed member of staff. A recruitment and retention strategy was agreed in December 2012 and is currently being implemented. This provides a retention bonus for experienced social workers and remuneration incentives for newly qualified workers. The impact of this strategy may impact on agency social work numbers towards the remaining half of 2013/14.

The forecast over spend on the Contact Scheme of £129,900 is a direct consequence of younger children having to be taken into care earlier, leading to an increase in court-ordered supervised parental contact. External contracts have had to be negotiated to cope with the increased demand.

A draw of £400,000 has been made from the Risk Fund reducing the over spend on Child Protection Social Work Teams to £513,100.

**CS 4 – Commissioning, Policy and Performance (forecast adverse variance £274,400)**

**Overspends on school transport, admin supplies and translation services**

**Forecast Range £290,000 adverse to £200,000 adverse.**

A Personal Travel Budget pilot has been trialled since January 2013 at two special schools in the city. The pilot, which allocates parents 45p per mile to transport their children to school, has been less well received by parents than anticipated. An over spend of £90,000 is therefore forecast.

In addition, there has been higher than budgeted demand for translation services in the first three months of the year which has led to a forecast over spend of £36,000 and Directorate expenditure on storage, photocopying and postage is forecast to over spend by £42,000.

The costs of operating the sports hall at the old Millbrook school site are forecast to overspend by £35,000. The council will continue to work with the operator to drive these costs down over the course of the year.

**There are no OTHER KEY issues for the Portfolio at this stage.**

**Summary of Risk Fund Items**

<b>Service Activity</b>	<b>£000's</b>
Tier 4 Services	2,200.0
Safeguarding Management and Legal Services	200.0
Child Protection Tier 3 Social Work Teams	400.0
<b>Risk Fund Items</b>	<b>2,800.0</b>

**ECONOMIC DEVELOPMENT & LEISURE PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to over spend by **£15,900** at year-end, which represents a percentage over spend against budget of **0.3%**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	130.9 A	2.2
Risk Fund Items	115.0 F	
<b>Portfolio Forecast</b>	<b>15.9 A</b>	<b>0.3</b>

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**EDL 1 – Leisure Client Team (forecast adverse variance £115,000)**

**Contractual utility inflation on the Active Nation contract**

**Forecast Range £150,000 adverse to £100,000 adverse**

Under the contract with Active Nation to run the Council's sports provision, the Council bears the risk of cost inflation on utilities over and above the Consumer Price Index. This is currently anticipated to be £115,000 and provision has been made within the Risk Fund.

**Summary of Risk Fund Items**

<b>Service Activity</b>	<b>£000's</b>
Sport & Rec. Contract - Energy	115.0
<b>Risk Fund Items</b>	<b>115.0</b>

**ENVIRONMENT & TRANSPORT PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to over spend by **£357,400** at year-end, which represents a percentage over spend against budget of **1.3%**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	400.4 A	1.5
Risk Fund Items	43.0 F	
<b>Portfolio Forecast</b>	<b>357.4 A</b>	<b>1.3</b>

**The CORPORATE issues for the Portfolio are:**

**E&T 1 – Off Street Car Parking (forecast adverse variance £674,000)**

**Parking pressures have been identified relating to reduced income of £715,000.**

**Forecast Range £750,000 adverse to £450,000 adverse**

There is an adverse forecast variance of £715,000 for off street car parking, due to a number of factors, the most significant being that income is forecast to fall short of the level anticipated during the budget setting process by £485,000. This variance may be attributed to an underlying reduction in parking across the whole of the city, including both Council and privately owned car parks. Management are considering whether any remedial action might help to address this position.

In addition, the proposed introduction of evening charges, with a target income of £300,000 in 2013/14, is now forecast to generate, after set-up costs, a net income of only £70,000 and the shortfall of £230,000 in parking income is reflected in the overall forecast.

Following the closure of the Lime Street car park in early June, there is an estimated decrease in net income of £91,000. The budget has been adjusted accordingly by an actual draw from the Risk Fund.

**The OTHER KEY issues for the Portfolio are:**

**E&T 2 – Waste Collection (forecast adverse variance £190,000)**

**There is a forecast adverse variance on the Commercial Waste Service income.**

**Forecast Range £300,000 adverse to £100,000 adverse**

The Commercial Waste Service is forecast to be £190,000 below the level budgeted for, due to continuing adverse trading conditions and this position is regularly reviewed by City Services management team. Improvements to billing and debt recovery have been introduced and other remedial action is being investigated to improve the situation.

### **E&T 3 – Waste Disposal (forecast adverse variance £52,700)**

**Forecast Range £100,000 adverse to nil**

**There are various forecast changes with an adverse overall variance.**

The Waste Disposal Contract has increased rates from January 2014, which are anticipated to increase overall costs by £43,000 in this financial year and this will be met through a draw on the Risk Fund.

The savings proposal to charge for school waste disposal cannot be implemented at a cost of £100,000. However, there is anticipated to be an additional £100,000 income from the profit share at the Energy Recovery Facility (Marchwood incinerator) for 2012 that will offset this shortfall.

There is a forecast additional cost of £60,000 at the Civic Amenity Waste Centre, due to increased volumes, and a forecast adverse variance on HWRC income of £40,000. However, there is additional disposal income of £30,000 from Housing and savings of £63,000 on lower general collected household waste.

### **E&T 4 – E&T Contracts Management (forecast favourable variance £162,900)**

**There are forecast savings on the street lighting PFI contract.**

**Forecast Range £100,000 favourable to £200,000 favourable**

A level of savings on the PFI Street Lighting contract sum were anticipated and these were planned for and factored in corporately as part of the budget setting process but there are forecast to be savings over and above the originally planned profile. These are not certain but are at present forecast to be £169,000.

### **E&T 5 – Development Control (forecast favourable variance £158,100)**

**There is a forecast of additional planning application fee income and a forecast saving on staffing.**

**Forecast Range £100,000 favourable to £200,000 favourable**

Development Control is forecast to over achieve against the target for planning application income by £116,000. The number of applications in the first quarter has been higher than usual, due to the introduction of the Community Infrastructure Levy in August, which will mean an increased charge for some applicants. The new forecast is also comparable with the actual planning fee income received in 2012/13, which was also favourable, and would indicate a general growth in the number of planning applications being submitted.

In addition, there is a favourable variance of £38,700, due to a saving from the recent restructure within the Planning department.



## Summary of Risk Fund Items

<b>Service Activity</b>	<b>£000's</b>
Waste Disposal Contract	43.0
<b>Risk Fund Items</b>	<b>43.0</b>

**HEALTH & ADULT SERVICES PORTFOLIO**

**KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to over spend by **£481400** at year-end, which represents a percentage over spend against budget of **0.7%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	2,111.4 A	3.1
Risk Fund Items	1,630.0 F	
<b>Portfolio Forecast</b>	<b>481.4 A</b>	<b>0.7</b>

**The CORPORATE issues for the Portfolio are:**

**HAS 1 – Learning Disability (forecast adverse variance £1,256,700)**

**There has been an increase in new clients/changes in client costs.**

**Forecast Range £1.45M adverse to £1.25M adverse.**

A budget pressure arising from the impact of an aging population and new transitional clients was identified as part of setting the 2013/14 budgets. A sum of £1.0M was allowed for within the Risk Fund to meet this pressure, which can now be evidenced by an increase in residential activity of £1,362,100, offset by a decrease in the forecast spend for Supported Living/Day Care clients of £94,100. It has been assumed that there will be a draw on the Risk Fund for the full £1.0M.

It should be noted that this forecast position is based on an assumption that a further local savings target of £259,000, from a combination of Operational and Commissioning savings, will be fully achieved.

**HAS 2 – Complex Care (forecast adverse variance £268,100)**

**Additional cost of covering permanent posts with agency staff.**

**Forecast Range £300,000 adverse to £270,000 adverse.**

A review of the current complex care service is being undertaken and whilst this review is underway no permanent recruitment to posts is being undertaken within the complex care teams. Although fixed term contract posts are being advertised, the service is having trouble in filling the posts on this basis, and therefore to meet service requirements managers are having to use agency staff at an additional premium.

### **HAS 3 – Adult Disability Care Services (forecast adverse variance £630,000)**

**Additional costs due to Older Persons Mental Health clients transferring from Continuing Health Care Funding and greater demand for care from an increase in the elderly population**

**Forecast Range not applicable.**

The forecast spend on Adult Disability Care Services has been updated for two known pressures compared to the position on which the budget was based. Outturn and last known activity levels recorded in the service area indicate that there will be a required draw on the risk fund of £630,000. This is made up of £430,000 for Older Persons Mental Health clients transferring from Continuing Health Care Funding and a further £200,000 to recognise the greater demand for care from an increase in the elderly population.

**There are no OTHER KEY issues for the Portfolio at this stage.**

#### **Summary of Risk Fund Items**

<b>Service Activity</b>	<b>£000's</b>
Adult Disability Care Services	630.0
Learning Disability	1,000.0
<b>Risk Fund Items</b>	<b>1,630.0</b>

**HOUSING & SUSTAINABILITY PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to over spend by **£54,700** at year end, which represents a percentage variance against budget of **3.1%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	191.2 A	10.8
Risk Fund Items	136.5 F	
<b>Portfolio Forecast</b>	<b>54.7 A</b>	<b>3.1</b>

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**HOUS 1 – Sustainability (forecast adverse variance £164,700)**

**There is a variance due to the cost of purchasing Carbon Reduction Certificates (CRCs).**

**Forecast Range £200,000 adverse to £150,000 adverse.**

It is estimated that the cost of purchasing CRCs for the authority in 2013/14 will be £136,500 and it is anticipated that this will be covered by a draw on the Risk Fund. In addition, there are minor adverse variances across Sustainability totalling £28,200.

**Summary of Risk Fund Items**

<b>Service Activity</b>	<b>£000's</b>
Sustainability – CRC purchases	136.5
<b>Risk Fund Items</b>	<b>136.5</b>

**LEADER'S PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to under spend by **£45,000** at year-end, which represents a percentage variance against budget of **1.1%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	45.0 F	1.1
Risk Fund Items	0.0	
<b>Portfolio Forecast</b>	<b>45.0 F</b>	<b>1.1</b>

**There are no CORPORATE issues for the Portfolio at this stage.**

**There are no OTHER KEY issues for the Portfolio at this stage.**

**RESOURCES PORTFOLIO****KEY ISSUES – MONTH 3**

The Portfolio is currently forecast to under spend by **£447,300** at year-end, which represents a percentage variance against budget of **1.1%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

	<b>£000's</b>	<b>%</b>
Baseline Portfolio Forecast	447.3 F	1.1
Risk Fund Items	0.0	
<b>Portfolio Forecast</b>	<b>447.3 F</b>	<b>1.1</b>

The **CORPORATE** issues for the Portfolio are:

**RES 1 – Contract Management (forecast favourable variance £300,600)**

**Overachievement of savings from the Capita contract in 2013/14.**

**Forecast Range not applicable**

The favourable variance reflects savings achieved through the Capita contract over and above the risk adjusted amount approved by Council in February. This represents a net saving in-year after one-off transition costs and an additional saving will be put forward to reflect the higher gross saving delivered for future years.

The **OTHER KEY** issues for the Portfolio are:

**RES 2 – Portfolio General (forecast favourable variance £91,300)**

**Under spends on salaries.**

**Forecast Range not applicable**

A detailed review of all budgets has been undertaken across the Portfolio resulting in the identification of salary under spends from vacant posts.

**RES 3 – Property Services (forecast favourable variance £58,000)**

**Reduced costs for business rates due to temporary vacation of Civic Buildings.**

**Forecast Range not applicable**

The Admin Buildings account is showing a favourable forecast variance due to an anticipated under spend on rates as a result of the planned vacation of the Civic Centre to enable essential building works to be undertaken as part of the Accommodation Strategy.

**RES 4 – IT Services (forecast favourable variance £22,000)**

**Saving from rationalisation of IT equipment**

**Forecast Range not applicable**

The favourable forecast variance has arisen from the managed rationalisation of PCs and laptops across the authority.

**RES 5 – Grants to Voluntary Organisations (forecast adverse variance £24,600)**

**Additional costs for transitional relief scheme.**

**Forecast Range not applicable**

The adverse forecast variance reflects the payment of transitional relief to organisations affected by the impact of the grants programme approved by Cabinet in February. As detailed in the Cabinet report, the Council was liable in some cases to provide this relief where the Council has either ceased or reduced funding to organisations that the Council has had a prior funding relationship with. The transitional relief scheme is now closed and the intention is to manage the cost within the overall Portfolio budgets.

**SUMMARY OF EFFICIENCIES, ADDITIONAL INCOME AND SERVICE REDUCTIONS**

Portfolio	2013/14				Implemented and Saving Achieved	RISK TO DELIVERY	
	Efficiencies	Income	Service Reductions	Total		Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved
	£000's	£000's	£000's	£000's		%	%
Change & Communities	(33)	0	(556)	(589)	100.0%	0.0%	0.0%
Children's Services	(2,265)	(97)	(3,012)	(5,374)	69.9%	28.2%	1.9%
Economic Development & Leisure	0	(50)	(617)	(667)	100.0%	0.0%	0.0%
Environment & Transport	(604)	(875)	(2,588)	(4,067)	74.9%	17.8%	7.4%
Health & Adult Services	(3,295)	(185)	(567)	(4,047)	94.1%	2.6%	3.3%
Housing & Sustainability	(231)	0	0	(231)	78.4%	21.6%	0.0%
Leader's Portfolio	(481)	0	(25)	(506)	94.9%	0.0%	5.1%
Resources	(29)	0	(908)	(937)	25.3%	74.7%	0.0%
<b>Total</b>	<b>(6,938)</b>	<b>(1,207)</b>	<b>(8,273)</b>	<b>(16,418)</b>	<b>77.8%</b>	<b>18.8%</b>	<b>3.4%</b>

Portfolio	2013/14				Implemented and Saving Achieved	FINANCIAL ACHIEVEMENT			Total
	Efficiencies	Income	Service Reductions	Total		Not Yet Fully Implemented and Achieved But Broadly on Track	Saving Not on Track to be Achieved		
	£000's	£000's	£000's	£000's		£	£	£	
Change & Communities	(33)	0	(556)	(589)	(589)	0	0	(589)	
Children's Services	(2,265)	(97)	(3,012)	(5,374)	(3,759)	(1,484)	(10)	(5,253)	
Economic Development & Leisure	0	(50)	(617)	(667)	(667)	0	0	(667)	
Environment & Transport	(604)	(875)	(2,588)	(4,067)	(3,045)	(677)	(70)	(3,792)	
Health & Adult Services	(3,295)	(185)	(567)	(4,047)	(3,807)	(105)	0	(3,912)	
Housing & Sustainability	(231)	0	0	(231)	(181)	(50)	0	(231)	
Leader's Portfolio	(481)	0	(25)	(506)	(480)	0	(26)	(506)	
Resources	(29)	0	(908)	(937)	(237)	(700)	0	(937)	
<b>Total</b>	<b>(6,938)</b>	<b>(1,207)</b>	<b>(8,273)</b>	<b>(16,418)</b>	<b>(12,765)</b>	<b>(3,016)</b>	<b>(106)</b>	<b>(15,887)</b>	
							<b>Shortfall</b>	<b>531</b>	
								<b>3%</b>	



**FINANCIAL HEALTH INDICATORS – MONTH 3**

**Prudential Indicators Relating to Borrowing**

	<b><u>Maximum</u></b>	<b><u>Forecast</u></b>	<b><u>Status</u></b>
Maximum Level of External Debt £M	£898M	£444M	Green
As % of Authorised Limit	100%	49.4%	Green
	<b><u>Target</u></b>	<b><u>Actual YTD</u></b>	<b><u>Status</u></b>
Average % Rate New Borrowing	5.00%	0.0%	Green
Average % Rate Existing Long Term Borrowing	5.00%	3.32%	Green
Average Short Term Investment Rate	0.45%	0.82%	Green

**Minimum Level of General Fund Balances**

		<b><u>Status</u></b>
Minimum General Fund Balance	£5.5M	
Forecast Year End General Fund balance	£14.0M	Green

**Income Collection**

	<b><u>2012/13</u></b>	<b><u>Actual YTD</u></b>	<b><u>Status</u></b>
Outstanding Debt:			
More Than 12 Months Old	38%	32%	Green
Less Than 12 Months But More Than 6 Months Old	5%	8%	Amber
Less Than 6 Months But More Than 60 Days Old	10%	9%	Green
Less Than 60 Days Old	47%	52%	Green

**Creditor Payments**

		<b><u>Status</u></b>
Target Payment Days	30	
Actual Current Average Payment Days	24	Green
Target % of undisputed invoices paid within 30 days	95.0%	
Actual % of undisputed invoices paid within 30 days	86.85%	Amber

**Tax Collection rate**

	<b><u>Target Collection Rate</u></b>	<b><u>Month 3 Collection Rate</u></b>		<b><u>Status</u></b>
		<b><u>Last Year</u></b>	<b><u>This Year</u></b>	
Council Tax	96.20%	28.50%	26.80%	Amber
National Non Domestic Rates	98.70%	34.25%	32.70%	Amber

QUARTERLY TREASURY MANAGEMENT REPORT – MONTH 3

**1. Background**

Treasury Management (TM) is a complex subject but in summary the core elements of the strategy for 2013/14 are:

- To make use of short term variable rate debt to take advantage of the continuing current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock in to longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital
  - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.

In essence TM can always be seen in the context of the classic 'risk and reward' scenario and following this strategy will contribute to the Council's wider TM objective which is to minimise net borrowing cost short term without exposing the Council to undue risk either now or in the longer in the term.

The main activities undertaken during 2013/14 to date are summarised below:

- Investment returns during 2013/14 will continue to remain low as a result of low interest rates, with interest received estimated to be £0.61M. However, the average rate achieved to date for fixed term deals (0.82%) exceeds the performance indicator of the average 7 day LIBID rate (0.45%) mainly due to the rolling programme of yearly investments.
- In order to continue to balance the impact of ongoing lower interest rates on investment income we have continued to use short term debt which is currently available at lower rates than long term debt due to the depressed market. As a result the average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), at 3.32% is in line with reported strategy. The predictions based on all of the economic data are that this will continue for an extended period. However, it should be noted that the forecast for longer term debt is a steady increase in the longer term and so new long term borrowing is likely to be taken out above this rate, leading to an anticipated increase in the CLIA. A PWLB 25 year fixed rate maturity loan is currently around 4.5%.

**2. Economic Background**

- **Growth:** The UK economy showed some improvement, although growth was subdued. Gross Domestic Product (GDP) for the first quarter of 2013 was +0.3%,

but the underlying numbers were disappointing as inventory growth contributed largely to the output figures. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008/09 was deeper than previously estimated. Growth is now nearly 4% below its peak back in 2007. Some positive signs for household spending emerged, mainly from a slower deterioration in real earnings growth, (i.e. earnings less inflation), which implied a slower erosion of purchasing power. Household savings rates remained high, which is unsurprising given the uncertain economic outlook.

- **Inflation:** Annual CPI was 2.7% in May. Inflation was expected to pick up again temporarily in the near term, peaking around 3% in June and remaining close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above \$100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.
- **Monetary Policy:** There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375 billion respectively. Minutes of the Bank of England's Monetary Policy Committee (MPC) meetings during the quarter showed that whilst the MPC voted unanimously for no change in official interest rates, it remained split (6 to 3 in favour of no change) on whether further Quantitative Easing (QE) was required to stimulate the economy.
- In his testimony to Congress on 22 May, the US Federal Reserve Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its \$85 billion monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. Consequently, government bond yields spiked. UK gilt yields jumped up 0.50% over the six weeks to the end of June.
- The market negativity appeared to be overdone. Whilst the outlook for the global economy appeared to have improved over the first half of the year, significant economic risks remained, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the European Central Bank (ECB) to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region remains in recession and up-coming political events, such as the German general election, could derail any progress towards a more balanced and stable regional economy. The US recovery appears to be in train, but political risks remain regarding the debt ceiling and the federal budget.

### **3. Outlook for Quarter 2**

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, as at July 2013 is detailed below:

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Official Bank Rate												
Upside risk			0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75
Arlingclose Centra	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

The UK economic outlook appears to have improved, but the projected path for growth remains subdued. Recent data has been mixed and what previously looked likely to be a strong start to the year is now viewed more doubtful. Looking forward the only likely positive contributor to overall growth is household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand.

#### 4. Debt Management

Activity within the debt portfolio up to Quarter 1 is summarised below:

	Balance on	Debt Maturing	New Borrowing	Balance as	Increase/	Average Life / Average	
	01/04/2013	or Repaid		at	(Decrease) in	Life	Rate %
	£M	£M	£M	30/6/2013	Borrowing for		
				£M	Year		
					£M		
Short Term Borrowing	34	(28)	0	6	(28)	7 Months	0.41
Long Term Borrowing	276	(2)	0	274	(2)	23.3 Years	3.32
<b>Total Borrowing</b>	<b>310</b>	<b>(30)</b>	<b>0</b>	<b>280</b>	<b>(30)</b>		

**Public Works Loan Board (PWLB) Certainty Rate:** The Council successfully qualified for borrowing at the 'Certainty Rate', following the submission of the Certainty Rate form to Central Government, which included details of the capital expenditure and borrowing plans for the Council over the next three years. PWLB borrowing from 1 November 2012 will be undertaken at a 20bps reduction from the standard. In April the Council submitted its application to the Department for Communities and Local Government (DCLG) along with the 2013/14 Capital Estimates Return to access this reduced rate for a further 12month period from 1 November 2013.

**PWLB Borrowing:** The PWLB remained an attractive source of borrowing for the Council as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates with the most pronounced increase for 5 to 20 year loans with increases around 0.6% - 0.8%. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

As at the 31 March 2013 the Council used £52M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. Following the latest Capital Programme, approved by Council in February 2013, the Council is expected to borrow an additional £74M between 2013/14 and 2015/16. Of this £21M relates to new capital spend and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances and also to lock back into longer term debt prior to interest rises.

However due to the continued and increased uncertainty in the markets and the expectations of interest rates staying lower for longer it may be appropriate to maintain the council use of internal resources for part or all of this amount; providing that balances can support it.

No long-term borrowing has been taken to date and none is anticipated to be taken until the second half of the year.

The Council has £35M variable rate loans which were borrowed prior to 20 October 2010, (the date of change to the lending arrangements of the PWLB post Comprehensive Spending Review), and are maintained on their initial terms. They are not subject to the additional increased margin and are currently averaging between 0.50% and 0.60%, which is helping to keep overall borrowing costs down.

Whilst in the current climate of low interest rates this remains a sound strategy, at some point when the market starts to move, the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt it restructured.

In order to mitigate the future impact of this the Council approved the creation of an Interest Equalisation Reserve in 2009. At that point a major debt restructuring exercise was undertaken in order to take advantage of market conditions and produce net revenue savings. The Interest Equalisation Reserve was created to help to manage volatility in the future and ensure that there was minimal impact on annual budget decisions or council tax in any single year. However, it should be noted that the sum set aside in the Interest Equalisation Reserve is a one off sum of money to help manage the initial transitional period during which the Council will convert its variable rate loan portfolio to longer-term fixed rate debt. The actual ongoing recurring revenue impact of switching to fixed rate long term debt will still need to be factored in to the budget forecasts for future years. Based on the current predictions of lower for longer interest rate forecasts, it is unlikely that this pressure will emerge in the short term, but it is likely to become a reality towards the back end of the Council's current medium term forecast horizon.

**Debt rescheduling:** The increase in PWLB repayment rates during the quarter lowered the premium that would apply on premature redemption of loans, but the premiums remain relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. Therefore, no rescheduling activity was been undertaken in the first quarter.

## 5. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The table below summarises activity during the year to date:

	Balance on	Investments	New	Balance as	Increase/	Average Life / Average	
	01/04/2013	Repaid	Investments	at	(Decrease) in	Life	Rate %
	£M	£M	£M	30/6/2013	Investment for		
				£M	Year		
					£M		
Short Term Investments	26	(16)	11	21	(5)	8 Months	0.86
Money Market Funds & Call Accounts	40	(127)	140	53	13	1 Day	0.59
EIB Bonds	3	0	0	3	0	9.25 Years	5.40
Long Term Investments	0	0	0	0	0		
<b>Total Investments</b>	<b>69</b>	<b>(143)</b>	<b>151</b>	<b>77</b>	<b>8</b>		

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its TM Strategy Statement for 2013/14. This has restricted new investments to the following institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Call Accounts, Certificate of Deposits (CDs) and term deposits with UK Banks and Building Societies systemically important to the UK banking system.
- Debt Management Office.

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings. The Council's minimum long-term counterparty rating is A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

A break down of investments as at 30 June 2013 by credit rating and maturity profile can be seen in following table.

Current Rating	Initial Rating	Less than 1 Month £000's	1 - 3 Months £000's	3 - 6 Months £000's	6 - 9 Months £000's	9 - 12 Months £000's	Over 12 Months £000's	Total £000's
BBB	A+							0
A-	A-	875						875
A	A	25,750	8,000	6,000	6,000			45,750
A	A+							0
A	AA-							0
A+	A+	50	1,000					1,050
AA-	AA-	19,156						19,156
AA	AA	7,018						7,018
AA+	AA+							0
AAA	AAA						3,036	3,036
		52,849	9,000	6,000	6,000	0	3,036	76,885

### **Counterparty Update**

In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. Lloyds now instead plans to sell the branches in an Initial Public Offering (IPO) later this year.

In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June, the Co-op announced it had a £1.5 billion regulatory capital shortfall requiring a recapitalisation via burden sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-. The Co-op is the Council's banker and therefore the Council has daylight exposure to the institution. See paragraph below on **Authority Banking Arrangements** regarding measures taken by the Council to mitigate exposure and credit risk.

In the Chancellor's Mansion House speech on 19 June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon, whilst the situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

**Authority Banking Arrangements:** It is becoming common for local authorities to bank with financial institutions that do not meet their investment criteria but action can be taken to minimise any risk this may present. It is a costly and complicated process to change bankers and we are under contract with the Co-operative Bank until October 2014. However following the recent down grading of the Co-operative Bank we immediately started discussions with Procurement about options and timescales regarding the tendering process with a view to precipitating this timeline.

We have also taken the following immediate action to mitigate our risk in the meantime:

- **Pooling Arrangements** – It is common for local authorities to hold a number of accounts at the same bank and to group these together for overdraft limit and interest purposes under a netting-off or pooling arrangement. Under this arrangement, some accounts will have a substantial credit balance while others will have a large overdraft, but the total balance is kept close to zero. Procedures in place were such that staff who manage the TM activity on a daily basis traditionally aimed for the net closing daily balances across all our accounts to be close to our current 'free' overdraft limit of £50,000. However, Arlingclose advised that it is likely in the event of any insolvency/banking resolution procedure that this netting down may not apply and that we would need to repay our overdrawn accounts in full and credit balances could also be at risk (in part or in full). As a consequence procedures have been changed so that at the start of each day any account that has a balance in excess of £5,000 will be cleared back to the general account to minimise credit balances and limit our exposure (i.e. we will "sweep" the accounts and action inter-account transfers).
- **Cleared and Ledger Balances** – Overdraft interest charges are calculated in reference to the "cleared balance" and traditionally staff who manage the TM activity on a daily basis aim for this balance to be close to our current 'free' overdraft limit of £50,000. However, the total sum of money held in the current account is the ledger balance which is normally higher than the cleared balance. Arlingclose have advised that in the event of insolvency or other banking resolution procedure the "ledger balance" at the date of failure represents our exposure. Therefore, we now use the "ledger balance" to calculate our position and inform the action required.
- **Intraday Exposure** – Arlingclose advice is that although any action by resolution authorities is likely to take place outside banking hours to prevent a disorderly impact on the UK banking system, it cannot be ruled out that a bank will halt operations during the business day. Therefore we aim to reduce our daylight exposure by making outgoing payments at the beginning of the day. In addition, where it is known in advance that a large receipt is expected, (for example, the first day of the month when council tax is collected), we now set up payments to leave the Council's bank account at the commencement of business. Furthermore, arrangements have been made to change the automatic sweep on the pay-point account from weekly to daily, although the balance on this account will still be subject to timing differences.

- **Imprest Accounts** – We are undertaking a review of Imprest Accounts (which are held locally to manage small transactions) to ensure that the levels held are minimised.
- **Advice to Schools** – Advice has been sent to schools updating them on action that it is appropriate for them to take in respect of any locally held accounts.

These changes impact on the level of staff resource required to manage TM activity and will result in increased bank charges but this is seen as an acceptable trade off in light of the priority given to security. Staff resource is being redirected to TM activity and priorities have been reassessed in order that this can be managed within existing employee budgets. Additional bank charges are forecast to be in the region of £10,000 per annum and can be met from within the current TM estimates.

This action will minimise any credit risk but cannot eliminate it entirely. A progress report will be submitted to the Governance Committee in September

**Safe Custody Arrangements:** The Council has Safe Custody Arrangements that gives us the ability to use a number of approved investment instruments as outlined in the 2013/14 Treasury Strategy and diversify the investment portfolio. Investment instruments requiring a custodian facility include Treasury Bills, Certificates of Deposit, Gilts, Corporate Bonds and Supranational Bonds.

By establishing custody arrangements, the Council will be better-placed to consider the use of alternative investment instruments in response to evolving credit conditions.

**Budgeted Income and Outturn:** The Council does not expect any losses from non-performance by any of its counterparties in relation to its investments. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016/17, as a consequence short-term money market rates have remained at very low levels. Investment income for the year is currently estimated to be £0.61M, with fixed term deposits to date having achieved an average return of 0.82%, which exceeds the performance indicator of the average 7-day LIBID rate (0.45%), mainly due to the rolling programme of yearly investments restarted in November 2012 following advice from our Treasury Advisor.

## **6. Compliance with Prudential Indicators**

The Council can confirm that it has complied with the approved Prudential Indicators for 2013/14 that were set in February 2013 as part of the Council's Treasury Management Strategy Statement (TMSS). Details of the performance against key indicators are detailed in the following paragraphs:

### **6.1. Capital Financing Requirement and Gross Debt**

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. It differs from actual borrowing due to decisions taken to use internal balances and cash rather than borrow. The following table shows the actual position as at 31 March 2013 and the estimated position for the current and next two years based on the capital programme submitted to council:



Capital Financing Requirement	2012/13 Actual £M	2013/14 Approved £M	2013/14 Forecast £M	2014/15 Revised Estimate £M	2015/16 Revised Estimate £M
<b>Balance B/F</b>	<b>445</b>	<b>437</b>	<b>433</b>	<b>436</b>	<b>434</b>
Capital expenditure financed from borrowing	11	14	25	15	5
Temporary Funding (Repayment)	(3)	(6)	(6)	(3)	0
HRA Debt	0	7	0	0	0
HRA Voluntary Repayment of Debt	(10)	0	(7)	(5)	(5)
Revenue provision for debt Redemption.	(8)	(13)	(6)	(7)	(6)
Movement in Other Long Term Liabilities	(2)	(2)	(3)	(2)	(2)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>433</b>	<b>437</b>	<b>436</b>	<b>434</b>	<b>426</b>

The Council reports that it has not borrowed in advance of need and that at the 31 March 2013 it had used internal resources in lieu of borrowing as this has been the most cost effective means of funding past capital expenditure to date.

In the Prudential Code (November 2011), it states '*Where there is a significant difference between the net and gross borrowing position the risks and benefits associated with this strategy should be clearly stated in the annual strategy*'. The Council has had no difficulty in meeting this requirement so far in 2013/14, nor is it envisaged that there will be any difficulties in future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

	31/03/2013 Actual £M	31/03/2014 Approved £M	31/03/2014 Estimate £M	31/03/2015 Estimate £M	31/03/2016 Estimate £M
General Fund CFR	269	261	265	260	252
Housing CFR	164	176	171	174	174
<b>CFR</b>	<b>433</b>	<b>437</b>	<b>436</b>	<b>434</b>	<b>426</b>
Gross Long term Debt	350	394	394	396	391
<b>Difference</b>	<b>83</b>	<b>43</b>	<b>42</b>	<b>38</b>	<b>35</b>
Short Term Debt	34	50	50	50	50
<b>Difference</b>	<b>49</b>	<b>(7)</b>	<b>(8)</b>	<b>(12)</b>	<b>(15)</b>
Borrowing in excess of CFR? (Y/N) *	N	Y	Y	Y	Y
<b>Investments</b>	<b>(69)</b>	<b>(53)</b>	<b>(53)</b>	<b>(53)</b>	<b>(53)</b>

\* Please note that borrowing is only in excess of the CFR as it includes assumptions for short-term borrowing for cash flow purposes.

## 6.2. Balances and Usable Reserves

Estimates of the Council's level of overall Balances and Usable Reserves for 2013/14 to 2015/16 are as follows:

	2012/13 Actual £M	2013/14 Estimate £M	2014/15 Estimate £M	2015/16 Estimate £M
Balances and Reserves	76	42	36	33

### 6.3. Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's **Affordable/Authorised Borrowing Limit** was set at £898M for 2013/14 (£817M for borrowing and £81M for other long term liabilities).

The **Operational Boundary** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2013/14 was set at £857M (£779M for borrowing and £78M for other long term liabilities).

The Chief Financial Officer (CFO) confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the quarter, borrowing at its peak was £310M.

The above limits are set to allow maximum flexibility within TM, for example, a full debt restructure, actual borrowing is significantly below this as detailed below:

	Balance on 01/04/2013	Balance as at 30/6/2013	2013/14 Forecast	2014/15 Estimate	2015/16 Estimate
	£M	£M	£M	£M	£M
Borrowing	310	280	366	364	362
Other Long Term Liabilities	74	74	78	82	79
<b>Total Borrowing</b>	<b>384</b>	<b>354</b>	<b>444</b>	<b>446</b>	<b>441</b>

### 6.4. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2013/14
Upper Limit for Fixed Rate Exposure	100%
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50%
Compliance with Limits:	Yes

The Upper limit represents the maximum proportion of borrowing which is subject to variable rate interest and was set at 50%, although in practice it would be unusual for the exposure to exceed 25% based on past performance, the highest to date is 15.7%. The limit was set at a higher level to allow for a possible adverse cash flow position, leading to a need for increased borrowing on the temporary market and to take advantage of the low rates available through the PWLB for variable debt. There has been no adverse cash flow to date but it is proposed that the limit remain at 50%, to allow for flexibility in case of any slippage in expected capital receipts.

## 6.5. Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in longer term investments; the limit for 2013/14 was set at £50M. With the maximum maturity period for a number of banks being extended to 12 months, we reintroduced the rolling programme of yearly investments from November and currently have £16M invested at an average rate of 0.87%, although it should be noted that rates are falling and new deals are expected to be around 0.65% to 0.70%.

## 6.6. Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Lower Limit	Upper Limit	Actual Fixed Debt as at 30/6/2013	Average Fixed Rate as at 30/6/2013	% of Fixed Rate as at 30/6/2013	Compliance with set Limits?
	%	%	£M	%		
Under 12 months	0	45	7	0.95	3.12	Yes
12 months and within 24 months	0	45	0	0.00	0.00	Yes
24 months and within 5 years	0	50	0	0.00	0.00	Yes
5 years and within 10 years	0	75	90	3.23	38.03	Yes
10 years and within 15 years	0	75	0	0.00	0.00	Yes
15 years and within 20 years	0	75	0	0.00	0.00	Yes
20 years and within 25 years	0	75	0	0.00	0.00	Yes
25 years and within 30 years	0	75	5	4.65	2.12	Yes
30 years and within 35 years	0	75	10	4.65	4.24	Yes
35 years and within 40 years	0	75	42	3.99	17.80	Yes
40 years and within 45 years	0	75	51	3.62	21.45	Yes
45 years and within 50 years	0	75	31	3.56	13.24	Yes
50 years and above	0	100	0	0.00	0.00	Yes
			<b>236</b>	<b>3.56</b>	<b>100.00</b>	

*Please note: the TM Code Guidance Notes (page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment".*

*For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.*

## 6.7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The increase in the HRA financing costs is due to the reform of HRA of council housing finance that took effect from 28 March 2012.

The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the approved capital programme adjusted for actual borrowing made to 30 June 2013. Please note that although there is no statutory requirement for the HRA to pay down their debt, they have chosen to make a voluntary payment which has resulted in the apparently high ratio of financing costs.

Ratio of Financing Costs to Net Revenue Stream	2012/13 Actual %	2013/14 Approved %	2012/13 Forecast %	2014/15 Approved %	2015/16 Approved %
General Fund	6.14	6.78	6.37	6.97	7.24
HRA	24.95	17.51	17.17	16.18	15.57
<b>Total</b>	<b>12.06</b>	<b>10.43</b>	<b>10.05</b>	<b>10.20</b>	<b>10.54</b>

## 6.8. Credit Risk

The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2013/14 TMSS.

## 6.9. HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government. The following tables show this plus the actual level of debt and expected movement in year.

HRA Summary of Borrowing	2012/13 Actual £m	2013/14 Approved £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Brought Forward	174.2	168.8	163.8	170.7	173.8
Maturing Debt	(10.4)	(5.6)	(5.6)	(5.1)	(5.1)
New borrowing	0	12.5	12.5	8.2	4.9
<b>Carried forward</b>	<b>163.8</b>	<b>175.7</b>	<b>170.7</b>	<b>173.8</b>	<b>173.6</b>
HRA Debt Cap (as prescribed by CLG)	199.6	199.6	199.6	199.6	199.6
<b>Headroom</b>	<b>35.8</b>	<b>23.9</b>	<b>28.9</b>	<b>25.8</b>	<b>26.0</b>

## 7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the TM activity up to the 30 June 2013. As

indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield. We have also taken a number of precautionary steps in relation to the Authorities bankers following their downgrading as detailed in Section 5.

For further information including a glossary of Treasury Management terms please see the following links:

*Treasury Management Strategy Statement for 2013 approved by Council on 13 February 2013, Item 100.*

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MIId=2322&Ver=4>

*Treasury Management Outturn Report approved by Council on 17 July 2013, Item 13.*

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MIId=2466&Ver=4>

**HOUSING REVENUE ACCOUNT****KEY ISSUES – MONTH 3**

The Housing Revenue Account (HRA) is currently forecast to over spend by **£289,600** on income and expenditure items at year-end, which represents a percentage variance against budget of **0.4%**.

**There are no CORPORATE issues for the Portfolio at this stage.**

**The OTHER KEY issues for the Portfolio are:**

**HRA 1 – Housing Investment (forecast adverse variance £190,000)**

**Urgent repairs are required to lifts at Wyndham Court and the dry riser at Millbrook Towers.**

After the 2013/14 estimates had been finalised, it was found that the four lifts at Wyndham Court were in need of urgent repair, at a cost of £80,000 each. Two were repaired in 2012/13 and two this year, resulting in an anticipated over-spend of £160,000 on the 2013/14 lifts budget. In addition, it is anticipated that unbudgeted repairs to the dry riser at Millbrook Towers will cost £30,000.

These issues will be addressed by the Housing Property Board.

**HRA 2 – Tenant Service Charges (forecast adverse variance £116,300)**

**The warden review implementation has been delayed.**

Income associated with the warden review has been budgeted for the whole year. However, due to delays in implementing staffing and charging, income will be reduced this year and is now calculated on the assumption that everything is in place for the start of October.

# Agenda Item 9

<b>DECISION MAKER:</b>	CABINET		
<b>SUBJECT</b>	APPROVAL TO SPEND ON REPLACEMENT LIBRARY FOR WOOLSTON.		
<b>DATE OF DECISION:</b>	20 AUGUST, 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR ECONOMIC DEVELOPMENT AND LEISURE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>David Baldwin</b>	<b>Tel:</b> 023 8083 2219
	<b>E-mail:</b>	david.baldwin@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	<b>John Tunney</b>	<b>Tel:</b> 023 8091 7713
	<b>E-mail:</b>	john.tunney@southampton.gov.uk	
<b>STATEMENT OF CONFIDENTIALITY</b>			
Not applicable.			

## **BRIEF SUMMARY**

Approval is sought from Cabinet to incur expenditure of £815,000 from the Economic Development and Leisure Capital Programme for the replacement of Woolston Library.

## **RECOMMENDATIONS:**

- (i) To approve, in accordance with Financial Procedure Rules, capital expenditure of £796,000 in 2014/15 and £19,000 in 2015/16 from the Economic Development and Leisure Capital Programme for completion of the replacement library project in Centenary Quay.
- (ii) To authorise the Head of Property Services to do anything necessary to undertake the procurement of the refit of the premises up to and including financial close
- (iii) To authorise the Director of Environment and Economy to do anything necessary to give effect to the proposal

## **REASONS FOR REPORT RECOMMENDATIONS**

1. Council in November 2012 added £957,000 to the Economic Development and Leisure Capital Programme for the fitting out of community facilities including a replacement library in Centenary Quay. Cabinet, also in November, approved expenditure of £142,000 from the Capital Programme to complete the design work for the project. The design work is expected to be complete by September and put out to tender from October onwards enabling the fitting out to be complete in 2014/2015.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. The Council could continue to work from the existing library and not move to Centenary Quay. The existing library is in poor condition, has a significant repairs backlog estimated to potentially cost £120,000 (£11,000 of this is likely to be incurred within 2/3 years and the remainder has yet to be assigned a timescale) and does not provide disabled access for people

in wheelchairs. In public consultation by SEEDA, who then owned the land, a replacement library emerged as the improvement local people most wanted to see on the site.

3. The Council could consider alternative uses for the library space. This would require Crest Nicholson's co-operation for a new planning application for change of use and an amendment to the Section 106 Agreement. If the Council wished to use the building it would still face the cost of fitting out.

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

4. Woolston Library is housed in an inadequate building in poor condition and poorly located. The redevelopment of the Vosper site in Woolston - now called Centenary Quay- secured the opportunity of a replacement library via a Section 106 Agreement.
5. Planning permission for Centenary Quay granted in 2009 included a 760 m<sup>2</sup> library. The Section 106 Agreement requires Crest Nicholson to complete the library space to a shell and core finish and, following its completion, to offer it to the Council on a long lease. If the Council takes the lease it will therefore have to fit out the premises at its own costs. If the Council does not complete the lease within nine months of the offer, Crest Nicholson are at liberty to apply for a change of use of the library space.
6. Subsequent to the Agreement, it was decided to use approximately a tenth of the 760 m<sup>2</sup> to accommodate staff from the Peartree Local Housing Office. Staff will also be relocated from Weston Housing Office in order to facilitate the Estates Regeneration Programme.
7. The need for the project to engage with and support the community hub model was identified in the report to Council in November 2012. It was recognised that this is already present in the co-location of the library and housing services but that there might be scope to extend this further. Discussions with SCC Property Services have confirmed that there are currently no identified requirements for other Council services to relocate. It is recognised that this may change and a watching brief will be maintained. However, the impact on the new building must be quite small as any further co-location which will require significant modification to the interior will result in both increased fitting out costs and in increase in fees to Capita Symonds.
8. Expenditure is needed to ensure that the Council is able to comply with the Section 106 Agreement and open the library in 2014. It will ensure that a contractor can be appointed following the tendering process.



## 9. Timescale and Milestones

Completion of Design Scheme	September 2013
Issue of tender documents	October 2013
Award of Contracts	December 2013
Signing of lease	December 2013
Building work commencement	March 2014
Building work end	July 2014
Relocation of SCC services	August 2014
Facility opens	September 2014

## RESOURCE IMPLICATIONS

### Capital/Revenue

10. In November 2012 Council added £957,000 to the Housing and Leisure Capital Programme for the fitting out of community facilities including a replacement library in Centenary Quay funded from Council Resources.
11. The cost of the entire project is estimated to be £957,000, as summarised in the table below:

Estimated cost	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	Total £000s
Works	0	0	750.0	19.0	769.0
Fees	11.0	68.0	27.0	5.0	111.0
Contingency			77.0		
<b>Total</b>	<b>11.0</b>	<b>68.0</b>	<b>854.0</b>	<b>24.0</b>	<b>957.0</b>

This is an estimate based on the information and assumptions available.

12. The estimate does not include any funding for the provision of a cash desk in the new facility. This requirement was identified after the Cabinet Report in November 2012. The estimated cost of this, £17,000, will be provided from Housing Revenue Account funding sources. The additional cost will have no impact on the capital funding already agreed.
13. The premises running costs of the new facility are estimated to be £38,700 which, as the building is much larger than the other Council buildings to be replaced, is £16,500 more than the current costs for the existing library and local housing offices and will be met from the Economic Development and Leisure portfolio.

## Property/Other

- 14.. Relocating services to Centenary Quay will release a number of properties for disposal, including the library reserved site in Inkerman Road and the existing Woolston Library. Securing receipts will follow after the expenditure on fit out has occurred.

## **LEGAL IMPLICATIONS**

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

15. The Council is obliged by the Public Libraries and Museums Act 1964 to provide a comprehensive and efficient library service for all persons who wish to make use of such a service. In addition, the Council can elect to provide additional or improved library services pursuant to section 1 of the Localism Act 2012, in the absence of any legislative restrictions affecting this general power of competence.

### **Other Legal Implications:**

16. Any reduction or removal of a library service must not be undertaken without a full public consultation and assessment of local needs, and any such decision must also take account of the Council's obligations under relevant equalities legislation and in accordance with the Council's strategic plan for the provision of library services across the City.

## **POLICY FRAMEWORK IMPLICATIONS**

17. The proposal is consistent with and not contrary to the Council's policy framework and the Annual Library Plan in particular.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Woolston
------------------------------------	----------

## **SUPPORTING DOCUMENTATION**

### **Appendices**

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

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

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

### **Equality Impact Assessment**

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

### **Other Background Documents**

#### **Equality Impact Assessment and Other Background documents available for inspection at**

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

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

# Agenda Item 10

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	ST MARY'S LEISURE CENTRE MANAGEMENT ARRANGEMENTS – SERVICE CONCESSION 2014 TO 2018		
<b>DATE OF DECISION:</b>	TUESDAY 20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR ECONOMIC DEVELOPMENT AND LEISURE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Nigel Greene</b>	<b>Tel:</b> <b>023 8083 3419</b>
	<b>E-mail:</b>	<b>Nigel.Greene@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>John Tunney</b>	<b>Tel:</b> <b>023 8091 7713</b>
	<b>E-mail:</b>	<b>john.tunney@southampton.gov.uk</b>	

## STATEMENT OF CONFIDENTIALITY

None

## BRIEF SUMMARY

Southampton Solent University (SSU) has managed St Mary's Leisure Centre (SMLC) under a Service Concession since 1<sup>st</sup> August 2010. The current agreement is for an initial 3 years to 1<sup>st</sup> August 2013 with an option to extend by agreement for a further 12 months to 1<sup>st</sup> August 2014.

Following consultation with the Cabinet Member for Economic Development and Leisure, the current agreement was extended to 1<sup>st</sup> August 2014 using delegated authority contained in the 15 March 2010 Cabinet Decision.

Approval is sought from Cabinet to delegate authority to officers, following appropriate consultation to proceed with the granting of a 2<sup>nd</sup> Service Concession to Southampton Solent University for the management and operation of St Mary's Leisure Centre for a further 3 years from 1<sup>st</sup> August 2014 to 1<sup>st</sup> August 2017 with an option to extend by a further 12 months by agreement to 1<sup>st</sup> August 2018.

## RECOMMENDATIONS:

- (i) To delegate authority to the Director of Environment and Economy, following consultation with the Cabinet Member for Economic Development and Leisure and the Head of Legal, HR and Democratic Services, to grant a 2<sup>nd</sup> Service Concession to Southampton Solent University for the management and operation of St Mary's Leisure Centre as a publicly accessible facility from 1<sup>st</sup> August 2014 to 1<sup>st</sup> August 2017 with an option to extend for a further 12 months by agreement to 1<sup>st</sup> August 2018.
- (ii) To authorise the Head of Legal, HR and Democratic Services, following consultation with the Director of Environment and Economy, to do anything necessary to give effect to the proposals contained within this report.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. Authority for a second Service Concession is being sought now, rather than in December 2013 because SSU has devised a £200k capital scheme for SMLC which needs to be spent in SSU current financial year ending 31 March 2014. SSU would like to offer at least three years public and academic use of the upgraded facility, hence the formal request now.
2. A new-build SSU Sports Centre is scheduled for phase 2 or phase 3 of the East Park Terrace Capital Scheme, which could result in SMLC being required as a sports facility by SSU until the end of 2017.
3. To retain the provision of important community facilities in the City Centre at no cost to the Council until at least August 2017.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

4. Do nothing - Allow the current lease and Service Concession to expire on 1<sup>st</sup> August 2014. Under this option, the building would close, SSU would vacate and there would be no academic or sports provision. There will be unbudgeted costs to the Council to secure the building (circa £5k) and on-going asset management costs. These costs have yet to be explored but based on the empty Oaklands Swimming Pool, costs to secure and maintain SMLC could be circa £15k per annum, excluding rates.
5. Do not agree to SSU Request for a 2<sup>nd</sup> Service Concession - Seek to re-let or tender the opportunity to use the facility as a sports facility or for some other use.

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

6. The £200k capital scheme will be entirely funded by SSU, for new fitness equipment and a new sports physiotherapy and sports massage suite for academic use for SSU sports physiotherapy curriculum and courses. In the process, the capital works will refresh the fitness suites and changing areas. This investment is subject to the grant of the 2<sup>nd</sup> service concession with the Council to 2018, and SSU funding for the scheme being made available.
7. SSU is currently setting benchmark figures for customer satisfaction to confirm that both public and academic users of the facility are happy with the high standard of operational management.
8. A Service Concession is a type of contractual arrangement. Under a Service Concession, the provider takes the risks of operating the facility and obtains payment in the form of the right to exploit the facility by charging users. Lease terms can specify permitted use but there is no direct control over pricing or programming.
9. Cabinet is asked to consider a formal request from SSU for a 2<sup>nd</sup> Service Concession, on existing terms and conditions which will have the effect of extending the agreement for a further 3 years from August 2014 to August 2017, with an option to extend by agreement, for a further 12 months to August 2018. Approval will allow SSU to undertake a £200k capital upgrade of SMLC, keep continuity of service for customers and academic courses, and provide a sports provision in the city centre until a new sports hall is completed on campus which is due to be completed late 2017. There will be

public and community access to SMLC and the new facility.

10. **March 2010 Exemption from Public Procurement**

On 15 March 2010, Cabinet approved the award of a Service Concession to SSU (**CAB 09/10 2691**). The award of a Service Concession without a public procurement was granted an exemption to procurement for the reasons set out in paragraphs 19 and 20 of the **15 March 2010** Cabinet Report.

11. **2010 Cabinet Report - Paragraph 19**

'The reasoning for this is the Council will not be spending money on services nor will it be specifying exactly what the provider must do in operating the Centre. Although going to the market with this opportunity may assist the Council in ensuring it achieves best value, proceeding only with SSU on the basis of a Service Concession has the following advantages:-

- The University is the single largest user of the Centre – in any future management arrangements, it plays a critical role.
- Our long term plans are for a joint project, with the possibility of some SCC investment in a University operated facility; this is the first step in that journey.
- The proposal without a management fee is not attractive to the commercial sector, unless we are happy to have a partner that is not prepared to commit to continued public access at a reasonable level.
- The University are committed to continued public access.
- The partner will need to TUPE staff and be able to provide an LGPS or GAD approved pension; SSU have the staffing and governance arrangements in place to meet this need.
- The University can move quickly enough to meet the financial needs as established by the 2010-11 budget approved by Full Council in February 2010.'

12. **2010 Cabinet Report - Paragraph 20**

'The University is a robust organisation. It employs over 1,500 people and in 2007-08 had turnover in excess of £82m. Its Pension Fund is managed through Hampshire County Council. Its mission is "The pursuit of inclusive and flexible forms of Higher Education which meet the needs of employers and prepare students to succeed in a fast-changing competitive world."

13. **Exemption to Procurement granted for 2<sup>nd</sup> Service Concession**

On 4th July 2013, the Head Property, Procurement, and Project Management approved an Exemption to Procurement under paragraph 19.3.1 of the Contract Procedure Rules: The nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirement of the Rules is justified.

14. The reasons for granting the Exemption are; "This ensures a council venue is maintained and used. No external spend or revenue will be generated but the building will be put to use and will be upgraded through an investment of £200k by SSU".

15. **Best Value Consideration**  
SSU have provided the SMLC service to a high standard since August 2010, and the reasons for approving the concession in March 2010 have not altered. Leisure partner Active Nation has confirmed that it is currently not interested in operating SMLC without a subsidy.
16. Since operating the venue SSU have:-
- Supported and encouraged public use.
  - Kept admission price increases broadly in line with inflation year on year.
  - Offered a range of concessions
  - Promoted and encouraged community use from within the local area.
17. If granted a 2<sup>nd</sup> Service Concession to 2018, SSU will continue to pay; rates, all building repairs and maintenance costs, term-servicing of plant and machinery costs and to operate SMLC at no cost to the Council.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

18. The Council neither receives, nor makes any payments in respect of this service concession. Council asset management costs are negligible, limited to clearing out the guttering as SSU pick up all the term-servicing and repair costs.

### **Property/Other**

#### **Building Condition risks now and until 2018**

19. The Council retains responsibility for the main building structure under paragraph 5.2 of the Service Concession. If there is a catastrophic failure, the Council would need to pick up these costs.
20. Service Concession agreement paragraph 17.4 provides a termination option for the Council should repairs prove too expensive (beyond economic repair) or there is major disruption to business as a result of failure. Specification Paragraph 4.1.8 provides that SSU shall maintain the buildings so as to protect the building structure, fabric, fixtures and fittings, mechanical and electrical plant, and equipment.
21. The current premises condition survey undertaken in 2012 shows the building is sound and only the Main Roof as a potential premises risk to the Council of circa £77k. This is given as a priority 3 low risk which may require expenditure within the next 3 to 5 years or may not be required at all. The only noted area of any concern is the metal profile roof. This is starting to show signs of wear and the external elevations require repair and decoration to be funded by SSU.
22. The building internal fabric is in a good condition having been the subject of £245k capital refurbishment in 2006.
23. Specification Clause 4.3.1 provides that the Council will not be liable for any compensation payments due to an emergency or closure of SMLC or its activities.

## LEGAL IMPLICATIONS

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

24. The power to provide leisure facilities derives from the Local Government (Miscellaneous Provisions) Act 1976. The Cabinet will need to make their decisions in accordance with the Council's normal statutory duties, e.g. the duty to achieve best value in the manner in which it discharges its functions under the Local Government Act 1999 which requires all best value authorities, such as Southampton to: "...make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." [Local Government Act 1999 – Section 3]

### Other Legal Implications:

#### **Procurement Issues**

25. SSU are requesting a 2<sup>nd</sup> Service Concession on exactly the same terms. It is proposed that a 2<sup>nd</sup> Service Concession is entered into with SSU, rather than via procurement or public advertisement.
26. A services concession contract is not governed by the Public Contracts Regulations, however EU Treaty principles apply and consequently if the contract is likely to be of interest to providers in other member states then the opportunity to bid for it must be given to them and advertised widely enough to bring it to their attention. In this instance, it has been decided that the contract is very unlikely to be of interest to any service providers in other EU member states and accordingly the risk of challenge resulting from not offering the contract more widely are low.
27. A break clause by either party will be inserted after 18 months into the new service agreement. This provides flexibility and comfort to both parties in the event of a change of priorities.
28. The current lease is excluded from security of tenure under the Landlord and Tenant Act, so to protect the Council's position, if a 2<sup>nd</sup> Concession for a further 3 + 1 years is agreed, it will be necessary to ensure that all documentation is issued promptly before 1<sup>st</sup> February 2014.

## POLICY FRAMEWORK IMPLICATIONS

29. The proposals are consistent with the Policy Framework.

**KEY DECISION?** YES

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
------------------------------------	-----

## SUPPORTING DOCUMENTATION

### Appendices

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

### Documents In Members' Rooms

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

### Equality Impact Assessment

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

### Other Background Documents

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

Nigel Greene, Contract Manager, Leisure and Culture  
 Environment and Economy Directorate, **Southampton City Council**  
 4th Floor, One Guildhall Square, Above Bar, Southampton, SO14 7FP

<http://www.southampton.gov.uk/modernGov/documents/s1715/Report.pdf>

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.	CABINET REPORT 15 MARCH 2010 - St. MARY'S LEISURE CENTRE MANAGEMENT ARRANGEMENTS	<b>(CAB 09/10 2691)</b>
2.	CABINET REPORT 15 MARCH 2010 - St. MARY'S LEISURE CENTRE MANAGEMENT ARRANGEMENTS – Record of Executive Decision	<b>(CAB 09/10 2691)</b>



<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	RESPONSE TO THE HEALTH AND OVERVIEW SCRUTINY PANEL INTO THE PUBLIC AND SUSTAINABLE TRANSPORT PROVISION TO SOUTHAMPTON GENERAL HOSPITAL		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Simon Bell</b>	<b>Tel:</b> 023 8083 3814
	<b>E-mail:</b>	Simon.bell@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	<b>John Tunney</b>	<b>Tel:</b> 023 8083 7713
	<b>E-mail:</b>	John.tunney@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>
Not Applicable

## **BRIEF SUMMARY**

To consider the proposed response of the Cabinet Member of Environment and Transport to the review by the Health Overview and Scrutiny Panel on Public and Sustainable Transport Provision to Southampton General Hospital.

## **RECOMMENDATIONS:**

- (i) That the report and work programme be noted and that a further update is made in March 2014 updating the progress of the work further.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Health and Overview Scrutiny Panel produced a report into Public and Sustainable Transport Provision to Southampton General Hospital in March 2013. The review aimed to discover how easy it is for residents to get to the General Hospital using public and sustainable transport and requested that a review of progress against the approved recommendations occurs after six months and twelve months. This report forms the 6 month update.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. An option would be not to respond to the report which would not assist in achieving transport access improvements at the General Hospital.

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

3. Following concerns raised with the Health Overview and Scrutiny Panel by the former Cabinet Member for Environment and Transport, other members, the Southampton Local Involvement Network (LINK) and the public, the Panel agreed to undertake a short review into public and sustainable transport provision to Southampton General Hospital.

4. The Objectives of the review were to:
  - Discover if there is suitable provision for residents to travel to/from hospital;
  - Discover what public or community transport is available, whether it is cost effective and at suitable times;
  - Discover which areas, if any, are affected by lack of public transport;
  - Consider any barriers to walking or cycling;
  - Consider any actions required to secure improvements.
5. The Review was undertaken over 4 formal bi monthly HOSP meetings from November 2012 to March 2013. In addition, the Chair of the Panel also attended a number of meetings including with Southampton LINK and visiting staff responsible for transport at the General Hospital. All Members were also contacted via the Members Bulletin to seek input from Councillors on particular issues that had been raised with them.
6. The Hospital has up to a total of 7500 staff, a number of these work shifts or are on call. In addition there are University employees and students who regularly have needed to visit the SGH site. By the size and nature of the Hospital and its activities, the Trust is one of the major employers in Southampton. In addition there are in the region of 600,000 patient visits per annum.
7. The Health Overview and Scrutiny Panel Final Report forms a background document to this report and the recommendations are set out in Appendix 1 with an update on the current status of each of the actions. The response from the University Hospital Southampton is included at Appendix 2.
8. Overall in the short time since the Scrutiny Report, information provision to the Hospital has improved, work is progressing on a multi-operator smart ticket (albeit as part of an unrelated project) and SCC and UHS are working together on potential bus hub as part of any development and a revised travel plan. First have produced a travel guide with a local map of the hospital site giving times and routes of all their services that serve the hospital.
9. Information provision at the site itself has been less successful with it not being possible to install freestanding Real Time bus Information unit so far. A location has now been identified and the installation of a unit is being progressed. Work has also been commissioned to replace all the bus stop information and signs around the hospital into the Legible Bus Network format
10. Of particular note is the need to review the UHS Travel Plan and allow ownership to the Hospital to develop their own transport plan rather than relying on the Local Authority to deliver solutions on a site which is not in the ownership of the City Council. Work will continue with the Hospital in this respect. The Southampton Sustainable Travel Choices Centre team are working with the Hospital on developing the travel plan initiative as highlighted as being developed in Appendix 1.

11. Where both the Hospital and Local Authority have less influence is over commercially operated bus routes and operators who operate in an unregulated and competitive market. That said the Council is using the Quality Bus Partnership (QBP) signed by Go South Coast (operators of Bluestar and UniLink), First and smaller operator representatives to deal with some of the issues raised which are not unique to the Hospital. Further, other projects being rolled out including Real Time Information, Legible Bus Networks and upgrading the existing Solent Travel card to a smart ticketing solution will also assist the quality of information available and ease of use overall. Appendix 3 gives details of the current bus provision to the hospital.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

12. Schemes delivered in partnership by SCC will be delivered within the budget allocations and appropriate approvals will be sought. Support for the Travel Plan is funded from within existing budgets.

### **Property/Other**

13. These do not impact upon any property interests as all the works are contained within the existing public highway or land owned by the NHS Trust.

## **LEGAL IMPLICATIONS**

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

14. Any projects developed 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 and the Traffic Management Act 2004.

### **Other Legal Implications:**

15. The design and construction of any highway infrastructure changes, will be delivered in accordance with the Equalities Act 2010. Regard will also be had to s.17 Crime & Disorder Act 1998 when designing any physical schemes to ensure that, to the extent possible, opportunities for environmental crime and other forms of crime & disorder will be eliminated or minimised.

## **POLICY FRAMEWORK IMPLICATIONS**

16. The City Council is a Local Transport Authority as prescribed in the Transport Act 2000 and the Council's relevant Policy Framework is the City of Southampton Local Transport Plan (LTP3).
17. Initiatives developed as part of the project would be compatible with the objectives of the Community Strategy and Economic Development Strategy.

**KEY DECISION?** Yes/No

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
------------------------------------	-----

## SUPPORTING DOCUMENTATION

### Appendices

1.	OSMC Summary of Recommendations and Current Status
2.	Letter from UHS NHS Foundation Trust Interim Chief Executive dated 12 <sup>th</sup> July 2013.
3.	List of bus services to Southampton General Hospital

### Documents In Members' Rooms

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

### Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) 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.	Report of Health Overview & Scrutiny Panel: Public & Sustainable Transport Provision to Southampton General Hospital – Mini Review	
----	--	--

## OSMC Summary of Recommendations & Current Status

	Recommendation	Lead Organisation	OSMC Target date for completion	Current Status
1.	<p><b><i>Ensure that staff, visitors and patients are aware of the public and sustainable transport routes to and from the general hospital.</i></b></p> <p><b><i>a) UHS to review, improve and provide evidence of the information provided to staff, visitors and patients in relation to travel to the hospital – including in patient appointment letters and the website;</i></b></p>	UHS	Sept 2013	<p>UHS will work with SCC to review and improve the information available to those accessing the SGH site with consideration content and method of communication should be informed by the data and information collated by undertaking a survey of patients and visitors as indicated by (10) below. UHS suggest the bus companies have a critical role in publicising sustainable transport options and should be identified as one of the lead organisations in delivering this action. First Hampshire has produced a timetable for access to the hospital for their services.</p> <p>To be put into work programme to be in place following September service changes (changes traditionally happen in September due to school/University year start). This should be in</p>
	<p><b><i>b) SCC to develop leaflets to publicise sustainable transport options to the general hospital from</i></b></p>	SCC	Sept 2013	

	<i>various parts of the city for distribution at relevant places including the hospital, GP surgeries, libraries, community facilities and the information provided on the 'My Journey' website.</i>			partnership and joint funded by UHS as part of the Travel Plan for the site. Following a further change to the operator of council supported service S1 this will be delayed until October 2013.
2	<i>To establish a representative passenger group for public transport in Southampton including service providers (buses and trains), transport users and councilors. The group should meet at least twice a year with scope for extra meetings if required and minutes available publicly.</i>	SCC	July 2013	SCC liaising with UHS on best way to set up group (including tapping into existing groups). It is anticipated that the group will meet for the first time in September/October 2013.
3	<i>That UHS ensure there is early engagement with public transport providers, allowing time to consult with the passenger group mentioned in recommendation 2 where possible, over services changes that are likely to affect staff and patient travel – including the proposed extension of working hours at the hospital.</i>	UHS	June 2013	UHS will ensure this is the case and will work via the passenger group once it has been established. This is delayed until the passenger group is established (see 2 above).
4	<i>Bus companies to ensure that bus drivers are encouraged to share information with passengers – for example that it is quicker to wait and get the next bus, as a matter of course, particularly for vulnerable and elderly passengers and for this to be included in mandatory training</i>	Bus Companies	Sept 2013	New signage to be included at locations highlighted at (5) below will assist in general information as Real Time where provided. Leaflets as set out at (1b) above will also help. In a competitive and unregulated market it is unrealistic to expect private bus operators to encourage passengers to use services of another operator both in terms of commercial approach and knowledge of other operators services (e.g. it would be unexpected that B&Q would advise

				on Homebase products for example). The Customer Service Charter being developed as part of the Better Bus Area Fund project aims to bring a standard approach to customer service including improved driver training. In addition First Group CPC training includes a module written in partnership with the CPC Alzheimer's Society in terms of dealing with elderly and vulnerable people.
5	<b><i>SCC to work with bus companies, Network Rail and Red Funnel to improve signposting to bus services to the hospital from central station and Town Quay linking into the legible cities and legible bus networks.</i></b>	SCC	Sept 2013	<p>New Signs to be installed at Town Quay and Southampton Central station during August 2013 in partnership with Island Line Community Rail Partnership with details of bus routes to Hospital.</p> <p>Totems installed at City Centre Locations with local area maps which shows bus departures and a map to assist in identifying “which bus goes where”. Signs also due to be installed at both sides of Central Station as part of the project, the North Side due to go live August 2013, South Side September 2013 delayed due to electrical connection issues with South West Trains.</p>
6	<b><i>SCC and UHS to work together to improve signposting to bus stops and cycle routes in and around the hospital including consideration of a potential cycle route through the cemetery. If this is not deemed appropriate, the Panel would urge the Council and</i></b>	SCC/UHS	Sept 2013	UHS approached regarding provision of additional RTI signs/Totems on site at UHS but were viewed unsuitable due to potential infection concerns and land redevelopment issues.

	<i>partners to consider alternative routes which are physically segregated from motor vehicles as much as possible.</i>			Cycle links to be developed with UHS travel plan working group. Current improved routes to the Hospital part of DfT Cycling to Prosperity Bid, award decision due August 2013. Routes in and around the Hospital are on private land and responsibility of UHS through the Travel Plan.
7	<i>SCC to work with the UHS to improve bus stop information around the general hospital site to ensure time tables and real-time information are available both in the hospital and at bus stops.</i>	SCC/UHS	July 2013	UHS approached regarding provision of additional RTI signs/Totems on site at UHS but were rejected due to potential infection concerns and land redevelopment issues. However, a location has now been identified to install the freestanding bus departure display unit. New legible bus network bus stop will be installed in August to improve the information around the hospital.
8	<i>SCC to priorities improvements to street lighting on Tremona Rd and Dale Rd Junction around bus stops, to ensure that passengers feel safer.</i>	SCC	July 2013	Under the existing Street Lighting PFI Contract, Coxford Ward, the street lighting for Dale Road has already been up graded to a ' white' light source, 90 Watt, road lighting lantern, using 8 metre mounting height lamp columns.  It is planned to continue with the same lighting specification for Coxford Road and Tremonia Road, with the lighting installations being brought forward and completed by Scottish & Southern Energy before the end of the Summer



				<p>months and the return of the dark evenings.</p> <p>Street lighting in the roads of Dale Road, Coxford Road, and Tremonia Road, will all be exempt from any future Councils Street Lighting Dimming Policy, and will continue to be operated at full brilliance.</p>
9	<b><i>All bus companies to feed their live data into the SCC real time information systems.</i></b>	Bus Companies	Sept 2013	This is subject to a legal Service Level Agreement being signed between SCC and the bus operator to ensure data on system is of high quality. Bluestar already on system. Unilink due on system August/September. Negotiations with First suggest an October date but this is subject to further negotiation.
10	<b><i>SCC, UHSFT, Southampton University, Unison, S-LINKS-LINK and Bus Companies to work together to explore options for undertaking a survey to establish how patients and visitors are currently travelling to and from the general hospital and the results are used to inform future service planning and improve reliability. The results should also be reported back to HOSP and fed into the key local health documents: the Joint Strategic Needs Assessment and the Health and Well-being Strategy, the latter of which, following the Panel's recent review, now is agreed to contain transport as a consideration.</i></b>	All	Sept 2013	UHS are developing a new Travel Plan as the previous Travel Plan is no longer being used. The revised version is due to be submitted to SCC for review and approve in March 2014. The timetable by OSMC needs to be amended to reflect this.
11	<b><i>Regardless of decisions taken by bus companies in relation to continuing, or otherwise, to run evening</i></b>	SCC	Dec 2013	This is due in December 2013.

	<i>and weekend buses to the General Hospital, the Panel would like SCC to review the effects of the bus subsidy reductions on access to the general hospital six months after they come into effect. A report on the review should be provided to HOSP.</i>			
12	<i>At a meeting in the 2013-14 municipal year, HOSP to consider the Patient Transport Service and other dedicated modes of patient transport in more detail in order to improve understanding of how the services are managed, publicised to patients and concerns with the current service. Commissioners and providers, including the voluntary sector, of the service to be invited. If recommendations are necessary to improve the service, they will be made at that meeting</i>	HOSP	Sept 2013	Noted
13	<i>UHS to be asked to consider reviewing the zones used in relation to parking permits to consider areas where there are regular direct bus routes which fall outside of the inner zone but provides attractive transport to the hospital within 30 minutes. This should help improve the viability of bus services and encourage sustainable transport use (“getting people out of their cars”).</i>	UHS	Oct 2013	<p>UHS zones were designed with available bus routes in mind as below:</p> <ul style="list-style-type: none"> <li>• Staff living in zone 2 (based on a combined 15 min walk and 30 min bus journey) will be allocated a parking space if they work nights, shifts or travel off and on site several times per day.</li> </ul> <p>UHS acknowledge however that these zones were designed three years ago and are willing to consider revising the zones in light of current</p>

				bus routes. This will need careful consideration and possible consultation with staff prior to any changes being implemented.
14	<b><i>Consideration is given to the development of a bus hub within the general hospital site and how SCC can work with the hospital to facilitate this.</i></b>	SCC/UHS	Dec 2013	This is subject to issues on redevelopment proposals and funding opportunities as well as a demonstrated business case. There is a desire amongst both parties to deliver a solution that is being investigated through both through the development control process and in terms of funding in partnership between SCC and UHS with bus operators.
15	<b><i>Encourage bus companies to work together to develop a cross company bus ticket for use within Southampton to enable easier travel from the City to the hospital. This should be priced competitively with existing operator day tickets – e.g. First day ticket rather than the Solent Travelcard which covers a greater area and is therefore more expensive. Consideration also be given to how they can work better with train providers on this issue and the promotion of Plusbus add-on tickets.</i></b>	Bus Companies	Dec 2013	<p>A Solent Travelcard already exists for this purpose. This is due to transfer to a “smart ticket” in late 2014 with a Southampton only version to be introduced late 2014. Plusbus is a commercial product which allows bus travel on all companies services within to be added to a return or season train ticket at a discount over a Solent or bus operator specific ticket.</p> <p>There are strict rules laid down by both the Competition Commission and DfT on multi-operator ticketing including pricing which is reflected in the existing Solent Travelcard. Specific Multi-Operator tickets to one specific location may be in conflict with these and are not planned to be developed as this will be covered by the Solent Travelcard migration to</p>

				smartcard referred to above.
16	<b><i>UHS to share their forthcoming travel plan with SCC Transport Officers by April 2013 and ensure that the plan details clear lines of accountability for actions and is refreshed yearly and fully updated every three years. The final plan should also be shared with HOSP. SCC officers to support UHS to complete the implementation of the travel plan. UHS should ensure they share and learn from best practice on travel planning including working with Southampton University.</i></b>	UHS	July 2013	UHS are developing a new Travel Plan as the previous Travel Plan is no longer being used. The revised version is due to be submitted to SCC for review and approval later in the year. The timetable by OSMC needs to be amended to reflect this.
17	<b><i>Chair of HOSP to write to all partners with recommendations, seeking a response on what they accept, what timings they can commit to, and detailing any additional resources they are willing to provide.</i></b>	HOSP	May 2013	Noted

# Agenda Item 11

## Appendix 2

### Chief Executive's Office

Trust HQ  
Ground Floor, Trust Management Offices, Mailpoint 18  
Southampton General Hospital  
Tremona Road  
Southampton SO16 6YD  
Tel: 023 8079 6173

Our Ref: AA

12<sup>th</sup> July 2013

Councillor Dan Jeffery,  
Chair of the Health Overview & Scrutiny  
Panel,  
Southampton City Council,  
Civic Centre, Southampton.  
SO14 7LY

Dear Councillor Jeffery,

### **re: Report of the Health Overview and Scrutiny Panel: Public and sustainable transport provision to Southampton General Hospital - Mini review**

Thank you for sharing the above report with the Trust and for the opportunity to contribute during the process of the review. We welcome this opportunity to better understand the issues experienced by the public when accessing the SGH site by public transport and are committed to work in partnership with relevant organisations to make improvements where we are able.

We would wish to acknowledge the considerable work undertaken in recent years to encourage the use of sustainable modes of transport. Close co-operation between the partner organisations, specifically the University of Southampton, Southampton City Council, the bus providers and University Hospital Southampton NHS Foundation Trust has achieved improvements we can now build on. Staff of the Trust, patients and visitors have benefited from this partnership approach and we are particularly grateful for the resources that the City Council has been able to provide, including ongoing advice from its Workplace Travel Team and funding as part of the Local Sustainable Transport Fund.

We also acknowledge that further work is needed if we are to continue delivering improvements for the benefit of those we serve. The recommendations outlined in the report propose a more structured manner in which to progress the joint working between the partner organisations in the future. In our view maximum benefit would be achieved if these actions were delivered in a coordinated manner and the City Council would be best placed to take responsibility for this coordination.

While our core focus is on providing patient care, we recognise that we have a further duty of care to patients who need to access to our services using public transport. We see continued partnership working as the key to improving this access for the future but are also committed to making the changes we are able to implement by ourselves as quickly as possible.

Our detailed response to the recommendations in the report is below and we look forward to the improvements that will be delivered as a result of these actions in the coming months.

With best wishes.

Yours sincerely,

**Alastair Matthews**  
**Interim Chief Executive.**

cc Alison Ayres, Director of Communications and Public Engagement

## UHS response to recommendations

	<b>Recommendation</b>	<b>UHS response</b>
1	<p>Ensure that staff, visitors and patients are aware of the public and sustainable transport routes to and from the general hospital.</p> <p>a) UHS to review, improve and provide evidence of the information provided to staff, visitors and patients in relation to travel to the hospital – including in patient appointment letters and the website;</p> <p>b) SCC to develop leaflets to publicise sustainable transport options to the general hospital from various parts of the city for distribution at relevant places including the hospital, GP surgeries, libraries, community facilities and the information provided on the 'My Journey' website.</p>	<p>UHS will work with SCC to review and improve the information available to those accessing the SGH site with consideration given to the points below:</p> <ul style="list-style-type: none"> <li>* We would suggest the recommended actions a and b would be better completed in a coordinated manner to ensure the content of all communications regarding public transport to SGH is complimentary</li> <li>* The content and method of communication should be informed by the data and information collated by undertaking a survey of patients and visitors as indicated by recommendation 10.</li> <li>* The bus companies have a critical role in publicising sustainable transport options and should be identified as one of the lead organisations in delivering this action.</li> </ul>
2	<p>To establish a representative passenger group for public transport in Southampton including service providers (buses and trains), transport users and councillors. The group should meet at least twice a year with scope for extra meetings if required and minutes available publicly.</p>	<p>UHS can send a representative to attend this group.</p>
3	<p>That UHS ensure there is early engagement with public transport providers, allowing time to consult with the passenger group mentioned in recommendation 2 where possible, over services changes that are likely to affect staff and patient travel – including the proposed extension of working hours at the hospital.</p>	<ul style="list-style-type: none"> <li>* UHS will ensure this is the case and will work via the passenger group once it has been established by the Council.</li> </ul>
5	<p>SCC to work with bus companies, Network Rail and Red Funnel to improve signposting to bus services to the hospital from central station and Town Quay linking into the legible cities and legible bus networks.</p>	<p>UHS would welcome any improvements partner organisations are able to deliver, but suggest such improvements should be informed by data and information collated by undertaking the survey of patients and visitors as indicated by recommendation 10.</p>
6	<p>SCC and UHS to work together to improve signposting to bus stops and cycle routes in and around the hospital including consideration of a potential cycle route through the cemetery. If this is not deemed appropriate, the Panel would urge the Council and partners to consider alternative routes which are physically segregated from motor vehicles as much as possible.</p>	<p>UHS would welcome the opportunity to work with SCC to deliver these improvements.</p>
7	<p>SCC to work with the UHS to improve bus stop information around the general hospital site to ensure time tables and real-time information are available both in the hospital and at bus stops.</p>	<p>UHS will work with SCC on this priority and will use the survey and passenger groups as reference points for the work.</p>
8	<p>SCC to prioritise improvements to street lighting</p>	<p>UHS would welcome these improvements.</p>

<p>on Tremona Rd and Dale Rd Junction around bus stops, to ensure that passengers feel safer.</p>	
<p>1 SCC, UHSFT, Southampton University, Unison, S-LINKSLINK and Bus Companies to work together to explore options for undertaking a survey to establish how patients and visitors are currently travelling to and from the general hospital and the results are used to inform future service planning and improve reliability. The results should also be reported back to HOSP and fed into the key local health documents: the Joint Strategic Needs Assessment and the Health and Well-being Strategy, the latter of which, following the Panel's recent review, now is agreed to contain transport as a consideration.</p>	<p>UHS would welcome the opportunity to work jointly with partner organisations in order to undertake such a survey.</p>
<p>1 Regardless of decisions taken by bus companies in relation to continuing, or otherwise, to run evening and weekend buses to the General Hospital, the Panel would like SCC to review the effects of the bus subsidy reductions 6 on access to the general hospital months after they come into effect. A report on the review should be provided to HOSP.</p>	<p>UHS would welcome such a review.</p>
<p>1 At a meeting in the 2013-14 municipal year, HOSP to consider the Patient Transport Service and other dedicated modes of patient transport in more detail in order to improve understanding of how the services are managed, publicised to patients and concerns with the current service. Commissioners and providers, including the voluntary sector, of the service to be invited. If recommendations are necessary to improve the service, they will be made at that meeting.</p>	<p>As a significant 'user' of the Patient Transport System, UHS would be happy to contribute to this discussion.</p>
<p>1 UHS to be asked to consider reviewing the zones used in relation to parking permits to consider areas where there are regular direct bus routes which fall outside of the inner zone but provides attractive transport to the hospital within 30 minutes. This should help improve the viability of bus services and encourage sustainable transport use ("getting people out of their cars").</p>	<p>UHS zones were designed with available bus routes in mind as below:</p> <ul style="list-style-type: none"> <li>• Staff living in zone 2 (based on a combined 15 min walk and 30 min bus journey) will be allocated a parking space if they work nights, shifts or travel off and on site several times per day.</li> </ul> <p>We acknowledge however that these zones were designed three years ago and are willing to consider revising the zones in light of current bus routes. This will need careful consideration and possible consultation with staff Prior to any changes being implemented.</p>
<p>1 Consideration is given to the development of a bus hub within the general hospital site and how SCC can work with the hospital to facilitate this.</p>	<p>UHS is actively considering the future development of the SGH site including the possible development of a bus hub. As plans are developed we will ensure that partners are kept up to date and are able to contribute. We would be happy to work with SCC on such a development.</p>

1 5 .	Encourage bus companies to work together to develop a cross company bus ticket for use within Southampton to enable easier travel from the City to the hospital. This should be priced competitively with existing operator day tickets – e.g. First day ticket rather than the Solent travelcard which covers a greater area and is therefore more expensive. Consideration also be given to how they can work better with train providers on this issue and the promotion of Plusbus add-on tickets.	UHS would be happy to work with bus companies to consider schemes to publicise such pricing schemes appropriately to patients and visitors.
1 6 .	UHS to share their forthcoming travel plan with SCC Transport Officers by April 2013 and ensure that the plan details clear lines of accountability for actions and is refreshed yearly and fully updated every three years. The final plan should also be shared with HOSP. SCC officers to support UHS to complete the implementation of the travel plan. UHS should ensure they share and learn from best practice on travel planning including working with Southampton University.	The approval of this Travel Plan within UHS is slightly delayed. We now expect to share the Travel Plan with SCC Transport Officers by July 2013, with final release by September 2013.



**Table of bus services to Southampton General Hospital**

Service	Route description	Frequency			
		Monday to Saturday		Sunday and Bank Holiday	
		daytime	evening	daytime	evening
3	Lords Hill – Aldermoor – <b>general hospital</b> – Shirley Warren – Shirley – central station – city centre – Ocean Village – Woolston – Sholing - Thornhill	10 mins	30 mins	30 mins	60 mins
10	Totton – Redbridge – Millbrook – Shirley – Maybush – <b>general hospital</b> - Upper Shirley – Hill Lane – central station – city centre	60 mins (mon to fri)			
12	Lords Hill – Aldermoor – <b>general hospital</b> – Maybush – Millbrook estate – Shirley – central station – city centre – Ocean Village – Woolston – Merry Oak – Bitterne – Midanbury – Townhill Park	20 mins	30 mins	20 mins	60 mins
S1	Lords Hill - Lordswood – Aldermoor – <b>general hospital</b> – sports centre – Upper Shirley – Shirley – Regents Park – Freemantle – Banister Park – city centre	60 mins off-peak			
S2	RSH Hospital – city centre – Polygon – Upper Shirley – <b>general hospital</b> – Shirley Warren - Shirley	60 mins off-peak			
U6	<b>general hospital</b> – Upper Shirley – Bassett – University – Swaythling – Portswood – Bevois Valley – RSH – city centre - Town Quay	20/30 mins	60 mins	60 mins	60 mins
U9	<b>general hospital</b> – Upper Shirley – Bassett – University – Portswood – Bitterne Triangle – Midanbury – Townhill Park	2 peak hour trips			
46	<b>general hospital</b> – Lords Hill – North Baddesley – Hiltingbury Hursley - Winchester	6 trips			

This page is intentionally left blank

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	EASTERN CYCLE ROUTE LSTF (LOCAL SUSTAINABLE TRANSPORTFUND) PROJECT – FUNDING APPROVALS		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Dale Bostock	<b>Tel:</b> 023 8083 2366
	<b>E-mail:</b>	dale.bostock@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	John Tunney	<b>Tel:</b> 023 8091 7713
	<b>E-mail:</b>	john.tunney@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>
Not Applicable

## **BRIEF SUMMARY**

This report seeks to approve capital variations within and additions to the Environment and Transport Capital Programme and approve expenditure to deliver Phase 1 of the LSTF Eastern Cycle Route project.

## **RECOMMENDATIONS:**

### **CABINET**

- (i) To rename the existing capital scheme called the “LSTF - Super Cycle Highways” to “Eastern Cycle Corridor (LSTF)” contained within the Environment & Transport Capital Programme and to increase the scheme, from £888,000 to £1,776,000 an increase of £888,000, funded by the following capital additions:
  - (a) The addition of £358,000 of Site Specific Section 106 Contributions to the scheme.
  - (b) The acceptance and addition of £250,000 of Department for Transport (DfT/Sustrans) Cycle Safety Fund government grant to the scheme.
  - (c) The addition of £280,000 of LTP government grant (2014/15 allocation) to the scheme.
- (ii) To approve total capital expenditure of £1,776,000 for the Eastern Cycle Corridor (LSTF) scheme phased £113,000 in 2012/13 £996,000 in 2013/14 and £667,000 in 2014/15.

## **REASONS FOR REPORT RECOMMENDATIONS**

- 1 Financial Procedure Rules require that funding is added to the capital programme and approval to spend is secured to enable the delivery of projects within the Council’s Capital Programme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. An option is not to approve the additional funding. This would result in not being able to construct the full phase 1 part of the scheme, elements of which have to be completed by February 2014 due to the terms of DfT/Sustrans Funding. The planned works are programmed with the Central Bridge Maintenance scheme as part of the Bridges to Prosperity Project and the window of opportunity for construction would be lost. Furthermore to not accept the funding would create reputational risk with Sustrans who are a partner of the Council.

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

3. The Local Sustainable Transport Fund (LSTF) programme “A Better Connected South Hampshire” was funded by the Department for Transport in early 2012 and includes a series of corridors across South Hampshire that will be subject to targeted interventions to improve access to public transport as well as cycling/walking infrastructure. This scheme is part of this overall package.
4. The LSTF Eastern Cycle Route Project has been developed to provide a direct and high quality cycle route from the East of the City to the City Centre and Central Railway Station. The Route aims to increase modal shift in support of the overall LSTF programme by a 12% modal shift away from the private car and increase access to employment using sustainable transport modes as well as improve health and active travel. A plan of the route is included in Appendix 1.
5. Funding was approved as part of the Environment and Transport Capital and Revenue Programmes in November 2012 and design is currently at detailed design stage west of the Itchen Bridge and at feasibility stage east of the bridge following public consultation earlier in the year. A champion’s design group was set up and included members of the public and cycle groups this developed the design and took on board safety concerns. The consultation to the public was held at five drop in locations in February 2013. Of the members of the public who attended 95% were in favour of the scheme. The scheme was also presented to three key stakeholder groups, namely, Chamber of Commerce and Future Southampton Group, Southampton Cycle Campaign and Bus Operators. Further feasibility design on the eastern elements is currently on hold while the detailed design of the western elements is being finalised to provide a further contingency allocation.
6. The innovative design of some elements between the Itchen Bridge and Central Bridge requires a prudent approach to construction risk. The whole route is designed in a way that will benefit those with less confidence, allowing more people to travel around more sustainably.
- 7.. In May 2013, the City Council was successful in a bid for additional funding from the Department for Transport Cycle Safety Fund (being administered by Sustrans). These are for improvements at the intersection of National Cycle Network Routes 2 and 23 at Central Bridge/Itchen Bridge. These will be delivered as part of the overall Central Bridge Maintenance works due to be carried out between October 2013 and March 2014. . A requirement of this element of funding is that the works are carried out by the end of February

2014. This requirement has been incorporated into the Central Bridge Scheme and a copy of the Memorandum of Understanding (MoU) is available for inspection in the Members Room.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

8. In November 2012, LSTF funding to the value £888,000 was added to the Environment & Transport Capital Programme for the scheme "LSTF - Super Cycle Highways". There is a requirement to 100% match fund this from non LSTF sources.
9. Cabinet approval is sought rename the existing capital scheme called the "LSTF - Super Cycle Highways" to "Eastern Cycle Corridor (LSTF)" contained within the Environment & Transport Capital Programme and to increase the scheme, from £888,000 to £1,776,000 an increase of £888,000.
10. This is funded by the addition of £358,000 of Site Specific Section 106 Contributions, £250,000 of Department for Transport (DfT/Sustrans) Cycle Safety Fund government grant and £280,000 of LTP government grant (2014/15 allocation). The total capital expenditure is phased £113,000 in 2012/13 £996,000 in 2013/14 and £667,000 in 2014/15. If the capital expenditure is ahead of the estimated phasing then it may be necessary to identify a source of temporary financing until the 2014/15 LTP grant allocation is received. The Chief Financial Officer has delegated authority to agree such a variation should it prove necessary
11. The report seeks approval for the capital expenditure for the total cost of this scheme, of £1,776,000 as detailed in Appendix 2 & 3.
12. There will be no additional maintenance costs as it will be incorporated into the existing Highways Maintenance Contract with the City Councils Highways Maintenance Contractor
13. There are important time constraints on the use of the external funding. The Department for Transport (DfT/Sustrans) Cycle Safety grant funding of £250,000 must be claimed by March 2014 and the LSTF grant funding of £888,000 by April 2015.
14. In order to do this, there must be appropriate capital expenditure incurred in time for these deadlines. Payment of the external grants is subject to quarterly claims in arrears. The Eastern Cycle Route Project Board and Environment directorate management are confident that this timescale can be met.

### **Property/Other**

15. These do not impact upon any property interests as all the works are contained within the existing public highway.

## **LEGAL IMPLICATIONS**

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

16. The project 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 and the Traffic Management Act 2004.

17. Works will be undertaken in accordance with Section 75 of the Highways Act 1980 sub section (1) 'where a Highway maintainable at the public expense comprises both a Footway or footways and a Carriageway, the Highway Authority may vary the relative widths of the Carriageway and of any Footway. The authority may prescribe in relation to either one side of both sides of the street, or at or within a distance if 15 yards from any corner of the street, a line to which the street is to be widened'.

**Other Legal Implications:**

18. The project, including the design and construction of any highway infrastructure changes, will be delivered in accordance with the Equalities Act 2010, having particular regard to the public sector equalities duty and the need to ensure that public space and realm is accessible to all. Regard will also be had to s.17 Crime & Disorder Act 1998 when designing the scheme to ensure that, to the extent possible, opportunities for environmental crime and other forms of crime & disorder will be eliminated or minimised.

**POLICY FRAMEWORK IMPLICATIONS**

19. The City Council is a Local Transport Authority as prescribed in the Transport Act 2000 and the Council's relevant Policy Framework is the City of Southampton Local Transport Plan (LTP3).
20. The project is compatible with the objectives of the Community Strategy and Economic Development Strategy.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Bargate
------------------------------------	---------

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	LSTF Eastern Cycle Route Phase 1 Plan ref 3512883C-HHG-CON-P1-001
2.	Additional Funding Schedule
3.	Additions to the Environment and Transport Programme

**Documents In Members' Rooms**

1.	Copy of Memorandum of Understanding Between Southampton City Council and Sustrans
----	---

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) 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)

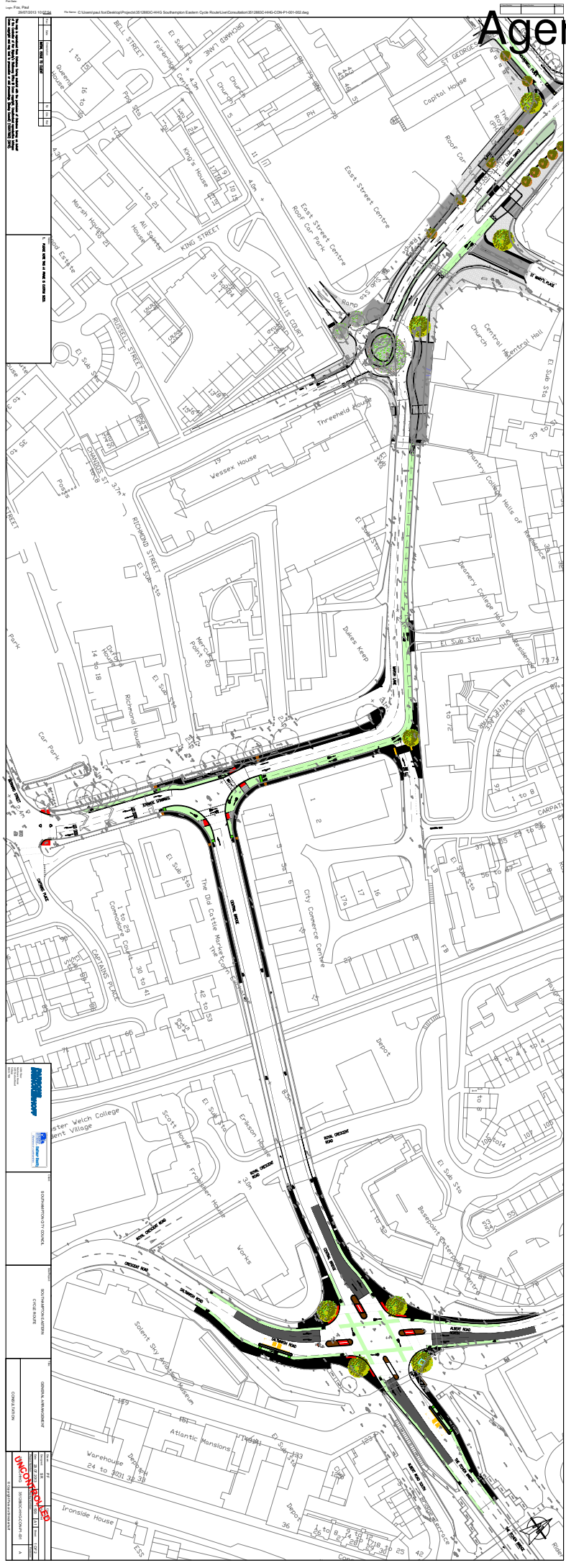
1.	The City of Southampton Local Transport Plan	<a href="http://www.southampton.gov.uk/s-environment/transportplanning/localtransportplan3/">http://www.southampton.gov.uk/s-environment/transportplanning/localtransportplan3/</a>
2.	City Centre Master Plan	<a href="http://www.southampton.gov.uk/s-environment/future/ccplans/publicconsult.aspx">http://www.southampton.gov.uk/s-environment/future/ccplans/publicconsult.aspx</a>

This page is intentionally left blank



# Agenda Item 12

## Appendix 1



PROJECT NO. 2018-01-01
PROJECT NAME: [illegible]
DATE: [illegible]
SCALE: [illegible]
DRAWN BY: [illegible]
CHECKED BY: [illegible]
APPROVED BY: [illegible]
DATE: [illegible]
PROJECT LOCATION: [illegible]
PROJECT DESCRIPTION: [illegible]
PROJECT CONTACT: [illegible]
PROJECT WEBSITE: [illegible]
PROJECT PHONE: [illegible]
PROJECT FAX: [illegible]
PROJECT EMAIL: [illegible]
PROJECT ADDRESS: [illegible]
PROJECT CITY: [illegible]
PROJECT STATE: [illegible]
PROJECT ZIP: [illegible]

This page is intentionally left blank

# Agenda Item 12

Appendix 2

Eastern Cycle Corridor (LSTF)

Additional Funding

<b>FUNDING STREAM</b>	<b>2013/14</b>	<b>2014/15</b>	<b>TOTAL CAPITAL FUNDING</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
LTP Government Grant (Future Allocation)	0	280	280
Site Specific S. 106 Contributions	358	0	358
Cycle Safety Fund Grant	250	0	250
<b>Total Funding</b>	<b>608</b>	<b>280</b>	<b>888</b>

This page is intentionally left blank

ADDITIONS TO THE ENVIRONMENT AND TRANSPORT CAPITAL PROGRAMME

Appendix 4

Block	Scheme No	Scheme Description	2012/13	2012/13	2013/14	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15	2014/15	Total	Total	Total	Total	Total							
			LSTF Government Grant	£000	Total Funding 2013/14	£000	Site Specifics S. 106 Contributions	£000	LSTF Government Grant	£000	Cycle Safety Fund Grant	£000	Total Funding 2013/14	£000	LTP Government Grant (Future Allocation)	£000	Site Specifics S. 106 Contributions	£000	LSTF Government Grant	£000	Total	£000	Total	£000

Active Travel C713Y Additions to the Capital Programme - funded by additional Cycle Safety Fund grant, site specific S. 106 contributions and LTP grant (2014/15 allocation)

Active Travel C713Y	Eastern Cycle Corridor (LSTF)	0	0	358	0	250	608	280	0	0	280	280	358	280	280	358	0	0	0	250	888	888	250
---------------------	-------------------------------	---	---	-----	---	-----	-----	-----	---	---	-----	-----	-----	-----	-----	-----	---	---	---	-----	-----	-----	-----

Existing Scheme in the Capital Programme - funded by LSTF government grant

Active Travel C713Y	LSTF - Super Cycle Highways	113	113	0	388	0	388	0	387	387	0	0	0	0	0	0	0	0	888	0	888	0	888
---------------------	-----------------------------	-----	-----	---	-----	---	-----	---	-----	-----	---	---	---	---	---	---	---	---	-----	---	-----	---	-----

Memo: Following capital additions this revises the cyclina capital scheme as below

Active Travel C713Y	Eastern Cycle Corridor (LSTF)	113	113	356	388	250	996	280	0	387	667	280	358	886	250	1,776
---------------------	-------------------------------	-----	-----	-----	-----	-----	-----	-----	---	-----	-----	-----	-----	-----	-----	-------

This page is intentionally left blank

# Agenda Item 13

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	*ENERGY COMPANY OBLIGATION - DELIVERY PARTNER PROCUREMENT		
<b>DATE OF DECISION:</b>	AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Colin Rowland Nick Cross</b>	<b>Tel:</b> <b>02380833561 02380832241</b>
	<b>E-mail:</b>	<a href="mailto:Colin.rowland@southampton.gov.uk">Colin.rowland@southampton.gov.uk</a> <a href="mailto:Nick.cross@southampton.gov.uk">Nick.cross@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	<b>Alison Elliott</b>	<b>Tel:</b> <b>023 80832602</b>
	<b>E-mail:</b>	<a href="mailto:alison.elliott@southampton.gov.uk">alison.elliott@southampton.gov.uk</a>	

## STATEMENT OF CONFIDENTIALITY

None

## BRIEF SUMMARY

To seek approval to enter into a contract with a strategic delivery partner following completion of a competitive OJEU procedure for Energy Company Obligation (ECO) funded energy and energy efficiency measures on public sector housing and other properties.

The contract with a strategic delivery partner, led by the Council on behalf of a number of local authorities, aims to support the key outcomes of reducing fuel poverty, reducing the city's carbon footprint, the creation of new jobs and building an effective skills base, as well as supporting economic growth in the Solent sub-region.

## RECOMMENDATIONS:

- (i) To delegate authority to the Director of People after consultation with the Cabinet Member for Housing and Sustainability to let the ECO contract in early November 2013;.
- (ii) To delegate authority to the Head of Legal, HR and Democratic Services to enter into a contract for a period of 2 years plus an optional further 5 years, subject to the availability of further ECO funding and satisfactory performance, with the company selected for the ECO partnership contract;.
- (iii) To delegate authority to the Head of Legal, HR and Democratic Services, following consultation with the Director of People and the Cabinet Member for Housing and Sustainability to finalise and enter into all necessary or ancillary contractual arrangements and documentation with the preferred bidder, subject to the parameters, set out within the report and specifically in Appendix 1; and

- (iv) To delegate authority to the Head of Legal, HR and Democratic Services to take any further action necessary to give effect to the decisions of the Cabinet in relation to this matter..

## **REASONS FOR REPORT RECOMMENDATIONS**

1. Delegated officer approval was obtained in April 2013 to advertise the ECO contract through the OJEU procurement process. A Negotiated OJEU tender is being used for this purpose which will lead to the appointment of a preferred contractor, or Delivery Partner, in late October of this year.
2. The OJEU tender process is very prescriptive and Council officers are currently negotiating with a shortlist of bidders to determine the most suitable Delivery Partner for the scheme.
3. Cabinet approval is required to let a contract of this size. However, delegated authority is sought to appoint a preferred Delivery Partner as soon as possible after the end of the procurement process, being satisfied that whichever organisation is selected will deliver the strategic outcomes specified for the project.
4. Final Tenders will be received from the three remaining bidders in September. A contractor will be appointed as Preferred Bidder in the beginning of November 2013. This matter requires a decision that would be impracticable to defer until the following Cabinet meeting in November. Letting the contract as early as possible will maximise the current phase of ECO funding (to the end of March 2105).

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. . Not to enter into a partnership arrangement with a utility or national construction company was rejected as this is a significant funding opportunity for the Council and its other local authority partners. This delivery model was chosen as a way of ensuring the effective management and coordination of such a large and complex delivery programme and to meet key strategic objectives.

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

6. Southampton City Council is seeking to secure Energy Company Obligation (ECO) funding on behalf of a group of local authorities in the Solent region. It is estimated that up to £50 million ECO funding could be spent within the Solent sub-region over the next 2 – 3 years.
7. ECO funding is available for an initial period up to the end of March 2015. Discussions with Utilities and DECC have indicated that further energy company obligation funding is likely to be made available up to 2020.
8. A number of local authorities with a retained housing stock along with Southampton City Council have confirmed an interest in taking part in the Scheme. Further, the arrangement is structured in such a way as to make it possible for other public sector bodies to participate and take advantage of the arrangement which the Council is seeking to establish.
9. There are a number of advantages of taking a collaborative approach with the direct or indirect involvement of a utility funding partner:



- A large scale ECO partnership would attract interest from a utility to meet a substantial portion of its overall funding obligation through a long term arrangement for this purpose.
  - The collaborative working arrangements will provide an impetus and build capacity to enable the further development of other joint projects and initiatives through the partnership.
  - A large ECO partnership should have the scale to influence industry and Government.
10. ECO funding managed and coordinated on a large scale has the potential to transform significant numbers of communities where people on low incomes are experiencing fuel poverty and are faced with ever increasing fuel bills. DECC estimates annual fuel bill reductions per household in the range of £150 to £250 following ECO-funded measures. DECC estimates that ECO carbon targets for the whole UK programme will total 27.8 million tonnes of CO2 between January 2013 and March 2015.
  11. As well as improving the energy efficiency of people's homes and providing bill savings the ECO partnership will have a sufficient scale to contribute to business growth, job and apprenticeship creation, safeguarding existing jobs, and developing an appropriate skills base to ensure local people, particularly those from target communities, are best placed to take advantage of the significant employment opportunities. Research from previous utility funded energy schemes estimates that a contract value of £50m, with around 21,000 properties treated, could lead to the creation of 590 to 760 new jobs with an additional 300 jobs safeguarded.
  12. By Southampton leading on this partnership we can ensure a significant benefit in the local employment and skills market to support small and medium size local firms, investment in the local supply chain and skills development through the local colleges. This will place Southampton at the heart of the growth of the regional green economy and bring new employment and skills to the city and the wider region.
  13. The capacity developed by the ECO funding partnership also generates the required scale to deliver energy measures for the able-to-pay residents in privately owned properties making use of ECO funding and the Green Deal.
  14. The size and scale of this undertaking requires a large utility or national contractor with sufficient capacity to meet the required outcomes. The preferred contractor will be expected to provide ongoing support and development for ECO whilst supporting other energy related opportunities such as district energy and individual ECO/Green Deal schemes throughout the term of the contract. This opportunity presents the Council with a significant opportunity to attract a partner or series of partners to maximise the investment in the City and become the sub-regional basis of a new business.
  15. Further details of the ECO funding arrangements and the benefits to the Council can be found in the officer delegated powers report dated 13 April 2013 from the following link:  
<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=244&MId=2699&Ver=4>

## **OJEU Tender Process**

16. The nature of the ECO opportunity involves capturing significant external funding but it also requires significant investment by the Council to improve the housing stock. Due to the size of the payments which the Council may make under the contract with the Delivery Partner the Council is required to follow an OJEU procurement process, in this case a procedure known as the negotiated procedure.
17. An officer working group has developed the tender process and tender documentation and is currently carrying out detailed negotiations with a shortlist of three suitable bidders in order to ensure the effective delivery of the key strategic outcomes.
18. The OJEU tender process is necessarily prescriptive in terms of the evaluation of bids and the resulting selection of a preferred contractor as Delivery Partner. The officers carrying out the evaluation identify a preferred Delivery Partner through this process and would then recommend the appointment of that organisation to Cabinet.
19. Due to the need to maximise the initial ECO funding opportunity the chosen Delivery Partner would be expected to commence activity as soon as possible following appointment. Because the next meeting of Cabinet after the preferred contractor has been identified would not take place until the middle of November there could be a potential delay in deployment.
20. To minimise any such delay it is therefore proposed that following the completion of the tender evaluation process the officer working group will make a recommendation of a preferred Delivery Partner to the Director of People who will after consultation with the Cabinet Member for Housing and Sustainability to make the decision to appoint the preferred Delivery Partner and enter into the relevant Project Agreement. Cabinet are therefore requested to provide the relevant delegated authority for this purpose in order for the contract to be awarded in early November.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

21. ECO funding is provided by the energy companies to discharge obligations imposed upon them by central government and an estimated £ 1.3 billion annually is available nationally for this purpose.
22. The current Housing Revenue Account Capital Programme, approved by Cabinet on 5 February and Council on 13 February 2013, includes the provision of £21.494m capital funding to support the provision of external cladding and insulation to houses, walk-up blocks and tower blocks in the city as well as alternative heating and renewable energy sources from 2013-2018.
23. These resources will be available to support wider delivery of ECO and District Energy projects and associated works and fees as part of this partnership. In addition the HRA retains borrowing headroom within the business plan over this period which can be utilised for additional support if required. This funding will ensure a comprehensive treatment of respective properties to maximise the opportunities the new funding provides.

## **Property/Other**

24. ECO funding combined with HRA capital funding will significantly improve the standard of the Council's housing stock, reduce fuel poverty and improve the health and well-being of tenants.

## **LEGAL IMPLICATIONS**

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

25. Section 1 of the Localism Act 2011 permits the Council to do anything that any other person or private body could do (the 'General Power of Competence'). The use of the power is subject to a number of pre and post commencement limitations, none of which are considered to apply in this case.

### **Other Legal Implications:**

26. The ECO funding project will be delivered in accordance with Finance and Contract procedure Rules and any procurement and subsequent delivery of ECO funded projects will be subject to compliance with the requirements of the Equalities Act 2010, in particular the Public Sector Equality Duty and having regard to the need to reduce crime and disorder in accordance with S.17 of the Crime & Disorder Act 1998.
27. A Strategic Partnering Agreement allows for other local authorities to enter into the contract. The obligation lies with the ECO delivery partner to form a contract with the respective local authorities and to generate a programme of work in their areas. This means that the risk to Southampton City Council of this arrangement is minimal in this respect.
28. A Negotiated OJEU tender procedure is considered to be appropriate for this project which should be capable of delivering the appointment of a commercial partner in early November this year.

## **POLICY FRAMEWORK IMPLICATIONS**

29. As mentioned in the main body of the report the procurement of a strategic partner to deliver energy measures satisfies a number of council policies and key objectives, which are included the provisions of the Southampton Connect Plan, and the Council's housing and property strategies.

KEY DECISION? Yes

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

**SUPPORTING DOCUMENTATION**

**Appendices**

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

**Documents In Members' Rooms**

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

**Equality Impact Assessment**

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

**Other Background Documents**

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

Title of Background Paper(s)

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

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

# Agenda Item 14

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	LANDLORD CONTROLLED HEATING CHARGES		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHORS:</b>	<b>Name:</b>	Alan Denford Nick Cross	<b>Tel:</b> 023 8083 3159 023 8083 2241
	<b>E-mail:</b>	<a href="mailto:Alan.Denford@southampton.gov.uk">Alan.Denford@southampton.gov.uk</a> <a href="mailto:Nick.Cross@southampton.gov.uk">Nick.Cross@southampton.gov.uk</a>	
<b>Directors</b>	<b>Name:</b>	Mark Heath Alison Elliott	<b>Tel:</b> 023 8083 2371 023 8083 2602
	<b>E-mail:</b>	<a href="mailto:Mark.Heath@southampton.gov.uk">Mark.Heath@southampton.gov.uk</a> <a href="mailto:Alison.Elliott@southampton.gov.uk">Alison.Elliott@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None			

## BRIEF SUMMARY

The purpose of this paper is to provide an explanation of the current financial position on the Landlord Controlled Heating Account and set out the actions that are recommended to bring the account back into balance.

The report presented last year recommended a rise of 18.0% in 2012/13, which was in line with projected energy inflation. It was also anticipated that an increase in line with energy inflation (around 10%) would be required in 2013/14, with an expectation of lower than energy inflation increases in subsequent years.

The Council recognises that a large number of its residents who benefit from the landlord heating system may also be suffering from fuel poverty, particularly in some of the most deprived areas of the City, and that this position will not be helped by the changes in benefit payments associated with Central Government welfare reform.

The report also notes that over the last year work at International Way has removed 520 properties (about 7.5% of properties) from the landlord system and the impact of this lost contribution to recouping the deficit needs to be taken into account. This is also likely to be just the first of a series of projects which takes properties out of the landlord account and therefore this future direction of travel also needs to be accounted for.

This report, therefore, recommends amendments to the principles for the operation of the heating account, which had previously been agreed by Cabinet in July 2008. These amendments, including a one-off contribution from the favourable level of HRA balances currently available, will allow the Council to limit the increase in 2013/14 to 2.5%, which is in line with expected general price inflation and significantly lower than the anticipated energy inflation.

## **RECOMMENDATIONS:**

- (i) To amend the basis for the future operation of the landlord controlled heating account as set out in paragraph 11 of the report;
- (ii) To agree a one-off contribution of £391,000 from available HRA balances in 2013/14 to reduce the current deficit on the heating account;
- (iii) To agree that charges to tenants for landlord controlled heating are limited to an increase of 2.5% from 7 October 2013; and
- (iv) To thank the Tenant Resource Group for their input to the charge setting process and to note their endorsement of the recommendations above.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The financial outturn for 2012/13 shows that the deficit on the heating account has reduced by £51,200 to £1,405,800 during the financial year. Although the level is reducing, the deficit is £103,000 higher than forecast in August 2012 due to the longer than expected cold period at the beginning of the year. It is, therefore, necessary for Cabinet to agree measures aimed at continuing to eliminate the deficit whilst also recognising the increased pressures on residents and the ongoing affects of fuel poverty.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. One alternative option is to continue to increase charges in line with energy inflation, which could increase levels of fuel poverty in deprived areas of the city and compound some of the impacts of welfare reform.  
Another alternative option is not to increase charges to tenants, which would result in an increased deficit on the landlord heating account.

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

### **Background**

3. The current charges to tenants are based on the floor area of their dwellings. These are allocated into one of 8 charging bands. This basis was approved by Cabinet in July 2008.
4. The report in July 2008 also set out the basis for the future operation of the heating account and the following principles are relevant to this paper:
  - To agree that any annual surpluses or deficits at the end of each year are carried forward and are taken into consideration in calculating the following year's charges; and
  - To agree that a working balance on the account would be maintained at approximately 10% of total energy expenditure.

In the light of the changes in benefit payments associated with Central Government welfare reform, the impact of ongoing fuel poverty on the well-being of many residents and the future proposals to undertake further schemes which reduce the number of properties on the landlord scheme, these principles have been reviewed and amendments recommended.

## Current position

5. At the time the current policy was established the surplus on the heating account was £414,000, which represented 17% of annual expenditure. Subsequently there were three winters where average external temperatures were lower than those usually experienced, which saw usage increase substantially over previous levels. This led to a deficit on the heating account of £1,620,000 at the end of 2010/11.
6. Increases of 19.5% (October 2011) and 18.0% (October 2012) have ensured that the deficit has started to reduce. It was anticipated that a further increase in line with energy inflation of around 10% would be required in 2013/14 with the aim that the account would be back in balance by 2014/15, and produce a 10% working balance by 2015/16.
7. The outturn figures for 2012/13 show that the deficit on the account has now reduced to £1,405,800. However, this is £103,000 higher than forecast in August 2012, mainly due to the long cold spell at the beginning of 2013.
8. A crucial factor in determining price increases to tenants is the forecast of consumption.

Three usage scenarios could have been considered :

- Pessimistic – usage as per 2010/11 (high)
- Optimistic – usage as per 2011/12 (low)
- Realistic – an average of the last 4 years usage, comprising two “high” years, one “average” year and one “low” year.

The recommendations in this report are all based on the ‘Realistic’ scenario.

9. The other key factor is an assessment of increases in energy prices. The latest information is that from October 2013 electricity prices will rise by 8.8% and gas prices by 7.2%. This information has been supplied by Kent Laser, the Council’s energy supplies manager, and has been used in the forecast models.
10. Having established a forecast for expenditure it is necessary to decide how charges to tenants need to be increased to bring the account back into balance and when the increases should take place.
11. It is proposed to make the following amendments to the basis for the future operation of the landlord controlled heating account:
  - To agree that a one-off contribution from HRA balances can be taken into consideration in calculating the charges for 2013/14;
  - To agree that a deficit balance can be carried forward until 31<sup>st</sup> March 2016 by which time the account should be back in balance; and
  - To agree that the level of working balance required in subsequent years will be reviewed in setting the charge for 2016/17. This will be based on the number of properties still receiving landlord controlled heating at that time and with consideration to closing the heating account and accounting for any balances or deficit within the main HRA.

12. The changes in benefit payments associated with Central Government welfare reform, in particular the size criteria determination, is starting to have an impact on residents. It is particularly affecting smaller households in two and three bedroom flats which form the majority of properties on the landlord heating system. Reductions in benefits, coupled with large increases in heating charges, will place some households in a difficult financial position. The likely impact is that the Council sees an increase in reduced or defaulted payments of the heating charges.
13. During 2012/13, the HRA benefited from a number of efficiencies from the introduction of self-financing. This has left the overall HRA account with a favourable level of balances which were reported as part of the HRA Outturn report for 2012/13. It is unlikely that such balances will be achieved each year and, therefore, it is proposed to make a one-off revenue contribution to the heating account. The level of HRA balances carried forward into 2013/14 exceeds the minimum working balance, as agreed by Council, by £1.289M. It is proposed to use £391,000 of this available balance to reduce the heating account deficit.
14. Based on this proposal, the projected deficit on the heating account at the end of 2013/14 is £583,000. Price increases of 2.5% in line with expected general price inflation are also currently planned for the next two years. If actual energy inflation is in line with the forecast, the account would be back in balance by the end of the 2015/16 financial year. However, it is thought likely that increases may need to revert to being closer to energy inflation from 2016/17 in order to generate an adequate working balance. This will be reviewed in August 2016.

### **Consultation**

15. The report recommendations have been discussed with the Tenant Resource Group. They have endorsed the proposals for the reasons outlined in this report.

### **Future Heating Options**

16. The Council will continue to consider future heating options that will have the benefit of giving tenants control over their heating, whilst also reducing their utility costs. It remains the aspiration to give tenants direct control over their heating and new funding streams through the Energy Company Obligation are currently being explored alongside improvements to insulation in some of the poorest performing buildings, which will help reduce the cost burden to residents of heating their flats.
17. The Council has undertaken a significant project at International Way in Weston, which included the re-provision of a landlord heating system, but with the added benefit of it being a 'wet' system with radiators fired by a single boiler house for each block. This has the added benefits of providing the residents with hot water as well. The system is fully controllable and the residents now have direct control over the heating and hot water, only paying for what they use through a key meter system. It is anticipated that residents will see savings of at least 50%, once year on year comparisons are available.



18. Consideration is also being given to wider heating options through district heating schemes or combined heat and power schemes using the Council 'estate' as the heat load to sustain a locally based system. External funding may be available for this type of scheme. In addition, Housing Revenue Account funding could be made available to pursue alternative heating solutions for key properties and areas in the City, including those identified as part of the Estate Regeneration Programme.
19. As a result, it is anticipated that properties will be removed from the landlord heating system each year and, therefore, the need to maintain a separate heating account will diminish. As properties are removed from the account, it is necessary to offset the amount of any remaining deficit that these properties would have helped pay back, otherwise an unfair burden remains on the reduced number of tenants still part of the scheme. Ultimately, over the next 5 or 6 years, the Council hopes to fully eliminate the current landlord heating system.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

20. The revenue implications are set out above. The effect of price rises on area bands is illustrated in Appendix 1.

### **Property/Other**

21. None.

## **LEGAL IMPLICATIONS**

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

22. Legal powers are in the Housing Act 1985 which deals with the rent to be charged.

### **Other Legal Implications:**

23. A letter confirming 28 days notice will be sent to tenants receiving the charge. This accords with the rent increase notification set out in the Housing Act 1985.

## **POLICY FRAMEWORK IMPLICATIONS**

24. The proposals in this report are consistent with the Housing Strategy and HRA business plan.

<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	All

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	Current and Revised weekly charges to tenants.
----	--

**Documents In Members' Rooms**

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

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out	
---	--

**Other Background Documents**

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

Title of Background Paper(s)

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

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

### Effect of price rises on area bands

Area Band	No of properties	2.5%	
		2012/13 £ pw	2013/14 £ pw
Band A <40 m2	1,806	9.49	9.72
Band B <50 m2	2,563	11.85	12.14
Band C <60 m2	339	14.23	14.59
Band D <70 m2	983	16.57	16.98
Band E <80 m2	927	18.95	19.42
Band F <90 m2	226	21.33	21.87
Band G <100 m2	11	23.69	24.29
Band H <110 m2	19	26.05	26.71
<b>Weighted average</b>		<b>13.35</b>	<b>13.68</b>

This page is intentionally left blank

# Agenda Item 16

<b>DECISION-MAKER:</b>	COUNCIL CABINET		
<b>SUBJECT:</b>	CAPITAL FUNDING FOR ADULT SERVICES		
<b>DATE OF DECISION:</b>	17 JULY 2013 20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR HEALTH AND ADULT SOCIAL CARE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Jane Brentor</b>	<b>Tel:</b> <b>023 8083 3439</b>
	<b>E-mail:</b>	<b>Jane.brentor@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>Alison Elliot</b>	<b>Tel:</b> <b>023 8083 2602</b>
	<b>E-mail:</b>	<b>Alison.elliott@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
Appendix 1 is not for publication by virtue of category 3 (financial and business matters) of paragraph 10.4 of the Access to Information Procedure Rules as contained in the Constitution. It is not in the public interest to disclose this information because it contains financial and business information that if made public would prejudice the Council's ability to operate in a commercial environment and obtain best value during a live procurement process prior to final tenders being received and contracts being entered into.			

## **BRIEF SUMMARY**

An appraisal process is followed annually to address buildings related issues in respect of internal care provision.

The Local Authority residential care homes are subject to regulation and inspection. It is therefore essential to maintain service standards and respond to the requirements of the Care Quality Commission (CQC) Care Standards. The appraisal also identifies separate elements to address Health and Safety Regulations and the provision of equipment replacement where this is not covered under the separate repair and maintenance provision.

A separate appraisal has also been undertaken in relation to Sembal House which is currently subject to a refurbishment programme which is already underway. During the programme a number of previously unidentified repairs and maintenance issues have become obvious in the material state of the building and funding is required to address these newly identified defects and complete the project.

## **RECOMMENDATIONS:**

### **COUNCIL**

- (i) To approve the addition of £482,000 to the Health and Adult Services Capital Programme to be allocated as £80,000, £100,000 and £302,000 to the existing schemes for Equipment and Health and Safety, Sembal House refurbishment and the National Care

Standards projects respectively. This will be funded through Council resources made available through receipt of the 2013/14 Personal Social Services Capital un-ring fenced grant.

#### CABINET

- (i) Subject to approval by Full Council on 17<sup>th</sup> July 2013 for the addition of funding to the Health and Adult Services Capital Programme, to approve, in accordance with financial procedure rules, capital expenditure of £302,000 in 2013/14 to maintain the condition of residential care homes to a standard in line with the requirements of the Care Quality Commission.
- (ii) To delegate authority for overseeing the management of the sum of £302,000 identified for maintaining the Council's residential homes to the Director of People following consultation with the Cabinet Member for Health and Social Care Portfolio and to take any steps necessary to procure the relevant works within overall budget approvals.

#### REASONS FOR REPORT RECOMMENDATIONS

1. That the Council's in house care services be maintained to a standard which is safe and of good quality to provide care for the City's residents.

#### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. This issue has been considered by the Corporate Capital Board for inclusion within the Capital Programme and all items in the attached appendix have been approved as the preferred priority for repairs and maintenance for the forthcoming financial year. Options which included not allocating the funding were rejected as they fail to address quality of care and safety issues for residents of the relevant accommodation.
3. Programme to run from time of approval to March 2014.

#### DETAIL (Including consultation carried out)

4. Building deficiencies have emerged that reduce the capability of the Service, to meet the needs of the people who use these services but which do not meet the criteria for corporate Reactive Repair and Maintenance. The Repair and Maintenance budget is corporately held but is always insufficient to meet the needs of all the Council's buildings. This budget is allocated on a priority basis which, due to its limited nature, results in monies only being allocated against reactive repairs but not improvements and does not extend to access, paths, patios, boundaries, internal or external redecoration, fire safety or improvements as listed in the corporate guidance or temporary structures. In addition the maintenance of corporately owned buildings is undertaken against a programme informed by the age of the item requiring maintenance and its expected life usefulness rather than applying service requirements. This is understandable but does leave the services at risk of inefficiency, poor quality environments and potentially high risk external environment. The corporate approach does not differentiate between corporate office accommodation and buildings which are homes to vulnerable people or users of social care services.

The attached appraisal documents provide detail of the work required,

identified as appendices 1, 2 and 3.

5. Consultation in respect of the care standards appraisal has been undertaken with the managers of the respective homes and services and, where possible, with the residents and service users. However, due to the lack of mental capacity of the homes' residents and service users consultation with the latter has been more limited with greater reliance placed on professional assessment of needs.
6. Specifically, the appraisal for Sembal House is identified to cover works the necessity of which became apparent during the planning phase of the existing approved project. These additional works included windows which were found to be in a worse than expected condition, asbestos removal and electrical infrastructure which required replacement rather than repair. The building work had gone out to tender at a time when the market was thought to be likely to provide cost effective bids and this was proved to be the case. Work has therefore progressed to maximise the positive quote eventually accepted but now requires the outstanding funding to complete the additional work identified as a result of further more detailed appraisal.

## RESOURCE IMPLICATIONS

### Capital/Revenue

7. Subject to approval of an additional £302,000 by Council on 17<sup>th</sup> July 2013 to the Health and Adult Services Capital programme to maintain the condition of residential care homes to a standard in line with the requirements of the Care Quality Commission, approval to spend the £302,000 is now being sought. The funding for this addition has been identified from Council resources, specifically from receipt of the non ring-fenced Adults Personal Social Services Capital Expenditure grant which totals £597,000 in 2013/14.
8. There are no ongoing revenue implications anticipated from the approval of the addition of funding to these schemes.
9. The Residential homes bid totals: **£302,000 plus equipment of £80,000**  
The Sembal House bid totals: **£100,000.**  
**Total £482,000**

### Property/Other

10. The project work will be undertaken where appropriate in partnership with Capita Symonds Property and Infrastructure Services. Each segment of the bid has a Capita support cost and these costs have been included in the bid detail.

## LEGAL IMPLICATIONS

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

11. Section 1 Localism Act 2011 empowers the Council to do anything that a private individual may do subject to any specific statutory limitations (none of which apply to the proposals in this report). The matters set out in this report fall within the scope of this power.

**Other Legal Implications:**

- 12. The appropriate EU procurement process in accordance with Contract Procedure Rules will be followed depending on the value of contracts for individual works. Any works undertaken will be designed and implemented having regard to the Council’s duties under the Equalities Act 2010 and s.17 Crime & Disorder Act 1998.

**POLICY FRAMEWORK IMPLICATIONS**

- 13. The proposal conforms to the Council’s stated aims of supporting vulnerable older people and adults.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	None
------------------------------------	------

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Capital Bid Appraisal form – Residential homes (confidential)
2.	Capital Bid Appraisal form – Sembal House
3.	Capital Bid Appraisal form – Equipment

**Documents In Members’ Rooms**

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

**Equality Impact Assessment**

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

**Other Background Documents**

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

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

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



Document is Confidential

This page is intentionally left blank

# Agenda Item 16

Appendix 2

## CAPITAL BIDS APPRAISAL FORM

<b>Project Name</b> <b>Care Standards Improvement – Sembal House</b>	<b>Bid Sponsor</b> Jane Brentor	<b>Portfolio</b> Health and Adult Social Care
<b>Question 1</b> – Does the scheme deal with infrastructure works e.g. maintenance of existing buildings (operational or corporate), IT systems (service based or corporate).		<b>Yes = Infrastructure</b>
<b>Question 2: -</b>	<b>Y / N</b>	<b>If Yes please give details</b>
a) Is there a stated commitment to the scheme within an approved Policy document or does it contribute directly to one or more of the 5 Council priorities?	Y	The buildings involved accommodate services that promote independence for adults and older people with disabilities
b) Will the Council be open to legal challenge or exposed to significant risk if the scheme is not done?	Y	In some cases the buildings involved are not fit for purpose. The services have to meet the Care Quality Commission’s essential standards – eg the adequate ‘care and welfare of people who use services’, ‘safety and suitability of premises’ and ‘safety, availability and suitability of equipment’
c) Is there a strong publicly stated Political Commitment to the Scheme specifically?	Y	The Change Board has stated that there is a continuing commitment to the transformation of in house care provision
d) Does the scheme attract significant (greater than 50%) external funding?	N	

<b>Question 3 – Have you answered ‘Yes’ to one or more Questions under Question 2 a) to d)?</b>			<b>Yes = ‘A’ List Bid</b>	
<b>Please provide details of: -</b>	<b>Pre 2011/12</b>	<b>2011/12</b>	<b>Forecast 2012/13</b>	<b>Bid 2013/14</b>
<b>Project Costings</b>	<b>Nil</b>	<b>£6,000</b>	<b>£48,000</b>	<b>£100,000</b>
External Funding (none)				<b>Plus</b>
<b>Revenue Costs (none)</b>				<b>C/Fwd</b>
				<b>12/13</b>
				<b>£264,000</b>

Please Outline Details of the Scheme below: -

Sembal House – day service provision for people with physical disability and mental ill health

The refurbishment of this Centre has been tendered and costs are in excess of the amount allowed for the initial refurbishment. Significant value engineering has already taken place but further elements of the project which could be removed would have a disproportionate impact on the value and quality of the whole project. The relocation of the CCFS staff from Woodside to office space at Sembal is dependant on the full works proposed for which this additional funding is required to enable. A sum of £100,000 will allow the initial project to achieve its planned outcome as per the original capital report, (appended).

**Total - £100,000 (This sum is required to fund the shortfall on the current cost to completion of the scheme including fees)**

**Total of all projects in this proposal - £100,000**

What are the Benefits arising from the Scheme OR the implications of not doing it?

As per original capital report as appended.

What are the Options (including costs) for delivering the same or similar results?

To close the Day service and re-provide care to the client through the purchasing from external providers. Due to the eligibility of these clients for services the council have a legal obligation to provide an alternative form of care. Please note this project was developed on the basis that Council had already decided to retain some internal provision.

Without this building there are no other suitable options from which to provide this care within the Adult Services Portfolio as Bedford House is now subject to sale.

If Revenue Costs are significant please provide details of options for meeting them

No revenue costs will be incurred

Please provide details of work carried out to establish if any of the costs can be met from within the existing portfolio programme or grants

The Adult Services Capital Programme is relatively small therefore the scope to pick up a scheme of this nature, which in total is over a quarter of the future programme spend, without additional funding is limited.

Additional funding is being utilised from under spends in the R&M budget from prior years.

Please provide a short risk analysis for the scheme (timing, costings, funding etc.)

A positive working relationship with Capita project management has been established and is monitored through monthly client relationship meetings which have minimised risks and maintained close scrutiny of all previous building works. The risks are therefore low and the work outlined above is expected to be completed within the financial year.

The costing outlined in this paper have been established in cooperation with our client relationship manager and therefore have a reasonable degree of accuracy within the limitations of visual estimates, albeit more accurate costings will be determined as the projects are developed in more detail.

## CAPITAL BIDS APPRAISAL FORM

<b>Project Name</b> Replacement of Appliances and Equipment 2013/14	<b>Bid Sponsor</b> Jane Brentor	<b>Portfolio</b> Health and Adult Social Care			
<b>Question 1</b> – Does the scheme deal with infrastructure works e.g. maintenance of existing buildings (operational or corporate), IT systems (service based or corporate).				<b>Yes = Infrastructure</b>	
<b>Question 2: -</b>		<b>Y / N</b>	<b>If Yes please give details</b>		
a) Is there a stated commitment to the scheme within an approved Policy document or does it contribute directly to one or more of the 5 Council priorities?		Y	Safeguarding the most vulnerable people		
b) Will the Council be open to legal challenge or exposed to significant risk if the scheme is not done?		Y	To enable Social Care provision to be maintained to regulatory standards, appliances and equipment must be replaced before it fails or reaches a state of uneconomic repair		
c) Is there a strong publicly stated Political Commitment to the Scheme?		N			
d) Does the scheme attract significant (greater than 50%) external funding?		N			
<b>Question 3</b> – Have you answered ‘Yes’ to one or more Questions under Question 2 a) to d)?				<b>Yes = ‘A’ List Bid</b>	
Please provide details of: -		<b>Pre 2011/12</b>	<b>2011/12</b>	<b>Forecast 2012/13</b>	<b>Bid 2013/14</b>
<b>Project Costings</b>		<b>148,000</b>	<b>£101,000</b>	<b>£86,000</b>	<b>£80,000</b>
External Funding (none)					<b>Plus C/Fwd 12/13</b>
<b>Revenue Costs (none)</b>					<b>£35,000</b>

1 2013 – 14 Replacement Appliance and Equipment Capital Bids

Please Outline Details of the Scheme below: -

The social care buildings around the City have a significant number of items of commercial catering, laundry and ancillary equipment needed to provide support to service delivery. This scheme is to repair or replace such items as required in the financial year 2013/14. The repair and or replacement of these items have previously been funded through a series of capital schemes.

What are the Benefits arising from the Scheme OR the implications of not doing it?

A planned replacement programme has been adopted that has avoided untimely equipment failures affecting service delivery and adding extra pressure on staff.

What are the Options (including costs) for delivering the same or similar results?

Lease/Maintenance arrangements have been used in the past but have proved to be more costly and not value for money

If Revenue Costs are significant please provide details of options for meeting them

N/A

Please provide a short risk analysis for the scheme (timing, costings, funding etc.)

Simple failures of appliances can result in large disruption to service delivery

Equipment failure can result in temporary disruption to service which are expected to provide 3 full service meals a day and the level of laundry required to support five homes with people with severe disabilities.

Unlike domestic appliances which are low priced with a fairly short life, the industrial grade equipment designed for the residential homes use is both sturdy and expensive and require full professional installation which is covered by a separate charge. This budget would also cover specialist care equipment such as beds, moving and handling equipment etc. The level of funding required for 2013/14 is difficult to predict due to the reactionary nature of the spend, however the amount requested is consistent with the average spend incurred in the last three years for which provision has not already existed within the general R&M budget.

**Bid £80,000**



# Agenda Item 18

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	*AWARD OF A WIRELESS NETWORK SERVICES CONCESSION		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	LEADER OF THE COUNCIL		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Rob Harwood</b>	<b>Tel:</b> <b>023 8083 3436</b>
	<b>E-mail:</b>	<b>Rob.harwood@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>John Tunney</b>	<b>Tel:</b> <b>023 8091 7713</b>
	<b>E-mail:</b>	<b>John.tunney@southampton.gov.uk</b>	

## **STATEMENT OF CONFIDENTIALITY**

The appendix attached to this report is considered confidential in regard to category 3 of paragraph 10.4 of the Access to Information Procedure Rules. This is required as the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not considered in the public interest to release this information.

## **BRIEF SUMMARY**

To help enable Southampton to become a first class WiFi and next generation enabled wireless city, Cabinet is recommended to award a service concession for the use of council-owned structures and assets, mostly street lights, to facilitate the installation and operation of infrastructure for a "limited free to user" and publicly accessible wireless network.

## **RECOMMENDATIONS:**

- (i) To award a Wireless "limited period free to user" services concession within the City of Southampton to Arqiva for an initial 5 year period; and
- (ii) To delegate authority to the Head of Contract Management to determine whether the contract should be extended up to a further period of 5 years.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. A publicly accessible wireless network in the city that is free to use for a limited period will provide economic and social benefits to residents of, and visitors to Southampton. The evaluation panel agreed that Arqiva's tender, the only tender submitted for the wireless services concession, meets the requirements outlined in the specification and will help meet council priorities and generate revenue.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. To not recommend Arqiva be awarded a Wireless "limited period free to user" services concession. This was rejected because Arqiva's proposal meets the requirements set out in the specification and the proposal will help Southampton become a first class Wi-Fi and next generation enabled Wireless Network city which will help to promote social inclusion and

economic development. Rejection of the proposal would also result in the loss of a new income opportunity for the Council.

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

3. The Council recognises that having a free to use, publicly accessible wireless network available in Southampton would help make the city more attractive to residents and visitors and promote social inclusion. To maximise the potential social and economic benefits to Southampton, the Council, on 17<sup>th</sup> May 2013, advertised that it was seeking to award a service concession to provide a Wireless Network Service within the City of Southampton. The tender documents outlined the following:
  - The Council is seeking a publicly accessible wireless network available in, but not limited to: Southampton City Centre, Southampton waterfront and the key transport corridors in and around the City of Southampton;
  - It is anticipated that “free to use” shall be time limited with charges applying for use after the initial “free to use” period;
  - The council will require an annual guaranteed fixed rental plus a share of the profits of the network from the successful bidder in exchange for granting 5 years exclusivity, with extension options of up to a further period of 5 years, of use by the network of council-owned structures and assets;
  - The successful bidder will be required to have commenced installation of the network within 3 months of contract award;
  - Bidders must have a proven track record in the delivery of similar services to those specified by the council and be able to provide evidence of successful implementations achieving real benefit to local authorities and/or other similar organisations;
  - Bidders shall also be required to evidence their relationships with the wholesale market, demonstrating how they can support the council to achieve its aims; (*The more mobile operators that pay for access to the network the greater the financial return to the Council*)
  - All proposals must be commercially viable, self-financing and where possible maximise income streams to the council, whilst achieving the desired social and public benefit.
4. Five companies registered on the council’s e-tendering portal, enabling them to obtain directly all relevant tender documentation. At the closing date a single tender was received from Arqiva.
5. Arqiva is an experienced and credible provider of WiFi services, including the new free to public WiFi network currently being rolled out across Manchester City centre. The proposal submitted by Arqiva offers the following:
  - Within 6 months of award of contract, at no cost to the City Council, WiFi coverage in high footfall locations across the city, focussed primarily on the city centre and district centres, utilising the City Council’s street furniture;
  - An opportunity to extend coverage of the WiFi network following negotiation with Arqiva;
  - 30 minutes free internet access (Freemium) per device, per calendar day with a paid for service thereafter;

- Freemium service branded as per the City Council's requirements and unrestricted access to 3 Council nominated websites without registration;
  - Unlimited usage by devices provided by SCC for use on Council business - Arqiva will provide a login page on the branded Freemium service for Council staff. The staff would login with the same username and password as they would on their corporate office desktop;
  - A guaranteed annual revenue and a twenty percent share of gross revenue generated by Arqiva, after the guaranteed sum has been deducted, through their ability to sell wholesale access to the WiFi network to mobile phone operators. The confidential revenue proposal is attached as Appendix 1.
6. Following a meeting of the evaluation panel it was agreed that the proposal submitted by Arqiva met, and in parts exceeded, the specifications set in the tender document and the Panel recommended that Arqiva be awarded the contract.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

7. There will be no one-off or ongoing cost implications for the Council as the successful bidder will be responsible for paying all capital expenditure and installation costs. However the contract will generate an annual income to the Council based on the higher figure from either a guaranteed annual revenue sum or twenty per cent share of gross revenue generated. The detailed income projections over the life of the contract are set out in Confidential Appendix 1 and will be effective from 2013/14 (part-year). The minimum income guarantee will be built into the future budgets of the Communities, Change and Partnerships Division from 2014/15 and ongoing, within the Environment and Economy Directorate.

### **Property/Other**

8. Arqiva's proposal seeks to utilise the Council's street furniture, predominantly street lighting to site WiFi technology. Arqiva are aware that they would be the responsible for obtaining any planning permissions required, and to liaise with the Council's street lighting PFI partner, SSE.

## **LEGAL IMPLICATIONS**

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

9. Powers to undertake this are contained in Section 1 Localism Act 2011.

### **Other Legal Implications:**

10. The procurement of this service has been conducted in accordance with the Council's Contract Procedure Rules.

## **POLICY FRAMEWORK IMPLICATIONS**

11. This development would directly contribute to the following priorities identified in Council Plan 2013-16:
- Promoting Southampton and attracting investment
  - Implementing better ways of working to manage reduced budgets and increasing demand.

KEY DECISION? No

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

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Revenue Generation Proposal - Confidential
----	--

**Documents In Members' Rooms**

.	None
---	------

**Equality Impact Assessment**

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

**Other Background Documents**

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

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

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

# Agenda Item 18

## Appendix 1

Document is Confidential

This page is intentionally left blank

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	DISPOSAL OF LAND AT TEST LANE		
<b>DATE OF DECISION:</b>	20 AUGUST 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Peter Kitching</b>	<b>Tel: 023 8083 2345</b>
	<b>E-mail:</b>	<b>peter.kitching@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>Mark Heath</b>	<b>Tel: 023 8083 2371</b>
	<b>E-mail:</b>	<b>mark.heath@southampton.gov.uk</b>	

## STATEMENT OF CONFIDENTIALITY

Confidential Appendix 2 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. The appendix includes details of a proposed transaction which, if disclosed prior to entering into a Legal contract, could put the Council at a commercial disadvantage. In applying the public interest test it is not considered appropriate to make public the bids received as this could lead to a revision of bids and, in the event of the transaction failing to complete, prejudice re-tendering of the property, therefore reducing the amount receivable by the Council.

## BRIEF SUMMARY

This report sets out the results of the marketing of the land at Test Lane, Redbridge (a 16 acre site currently allocated for commercial development) and seeks approval for disposal of the site as recommended.

## RECOMMENDATIONS:

- (i) To approve the sale of the land at Test Lane to the recommended bidder as set out in Confidential Appendix 2 and to delegate authority to the Head of Property, Procurement & Contract Management to negotiate final terms and accept the next best bid in the event of the selected bidder not proceeding or in the event they seek to renegotiate the price below that of the next best bid and to continue such process as necessary, including re-marketing the property if necessary.
- (ii) To delegate authority to the Head of Property, Procurement & Contract Management to negotiate the inclusion of additional land owned by the Council between the land outlined in red on the attached plan attached at Appendix 1 and Test Lane to the west and Gover Road to the south west where required to facilitate access to, or servicing of, the site.
- (ii) To authorise the Head of Legal, HR and Democratic Services to enter into any legal documentation necessary in respect of the sale of the site.

- (iv) To authorise the Director of Corporate Services to take any further action necessary to give effect to the decision of the Executive in relation to this matter.
- (v) To note that the estimated value of the capital receipt from this disposal has already been built into the funding of the capital programme. Any receipt that differs from the estimates will need to be considered corporately as part of any future prioritisation of resources.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. The land at Test Lane is a property asset not held for long term strategic purposes and is on the Council's current disposal programme. The disposal of the site will enable the Council to realise a significant capital receipt and provide an opportunity for new development in the City which will attract new investment and employment opportunities.

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

2. In considering the bids received the options are to sell the site to the recommended bidder, sell the site to a different bidder, not to sell at all following this tender and remarket the site or retain the site. It is considered that no significant benefit would be gained from remarketing the site as the offer of the recommended bidder realises best consideration.

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

3. The land at Test Lane extends to approximately 16 acres (6.5 hectares) as shown outlined in red on the plan attached at Appendix 1. The site was transferred to the Council in 1997 on local Government Reorganisation. Grazing on the site ceased in 2000 and following that the site was used as a Boat Show Park & Ride car park each year until 2008. It is identified in the Local Plan Review for B1 (light industrial and research and development) and B8 (storage and distribution) uses with ancillary office use.
4. The site is allocated under Policy MSA 19 'Test Lane South' which states:  
"Test Lane South is safeguarded for B1, and B8 uses. Development will be permitted which:
  - (i) provides a buffer of landscaped and planted open space on the southern boundary of the site; refer to CLT 7;
  - (ii) would not adversely affect the residential amenity of the occupiers of nearby properties on Gover Road and Coniston Road.

Built development will not be permitted on the southern part of the site."



5. Prior to marketing an Information & Development Brief was prepared to highlight the opportunities and constraints of the site. The Brief highlighted the requirement to provide a suitable buffer zone (area of open space of a minimum of two acres) along the southern boundary to protect the amenity of the residential area to the south of the site. Due to the location of the site there will also be requirements for flood mitigation measures, drainage attenuation, some remediation to deal with areas of historic landfill/tipping (which is known to exist of the site) and local highway improvements. Any proposed development will also need to ensure it does not impact on the Test Nature Reserve to the west.
6. The property has now been marketed and offers invited by way of informal tender in accordance with the Council's normal sale procedures. Offers were invited on a 'subject to planning basis' as this was considered the best way of securing the highest price for the site and realising best consideration.
7. In order to facilitate vehicular access to the site and connections to mains services (water, gas, electricity etc.) the Council may be requested to grant the developer the necessary rights to make these connections across the adjoining land owned by the Council between the site (outlined in red on the Plan at Appendix 1) and Test Lane to the West and Gover Road to the South West. This may also require the transfer of some freehold parcels of this land. Recommendation (ii) seeks the necessary authority for this.
8. At this stage no specific occupiers have been identified for the site but it is envisaged that the greatest demand is likely to be from the logistics and distribution sector along with, to a more limited extent, some light industrial uses. As the planning process is taken further forward and occupiers can see that delivery of the development is more certain we anticipate that occupiers will seek to commit to the site. The amount of employment generated will vary depending on occupiers but having taken advice from Economic Development, based on average employment densities a scheme of say 21,000 square metres of accommodation with 70% B8 (Storage & Distribution) and 30% B1 (light industrial) uses could deliver in the region of 320 full time jobs. Research has shown that the logistics sector creates a wide range of job opportunities from delivery and warehouses operatives to marketing, sales and logistics staff.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

9. The sale of the site will release a 100% capital receipt to the General Fund which has already been built into the funding of the current capital programme. This assumed that the sale would complete in 2013/14 but it is now anticipated that the sale receipt is unlikely to be received until 2014/15 and could possibly even slip into 2015/16. Any receipt that differs from the estimates in terms of value and timing will need to be considered as part of any future prioritisation of resources.

10. As reported in February 2013 the capital programme is fully funded based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated receipts. In addition to the forecast capital receipts there will be additional receipts which will flow from the enhanced sale of assets programme as this comes to fruition. Towards the end of 2013/14 it should be possible to better estimate the amount and timing of these forecast additional receipts.
11. The future intention is to use any additional capital receipts from disposals over and above those which are funding the current programme to repay long-term council borrowing. In practice this will be subject to the current position on temporary borrowing at that time together with any future prioritisation of resources.
12. There will be no loss of income from the disposal of the property as rental income is not received. The ongoing holding costs for grass cutting, fencing repairs and inspections of the site up to the point of sale will be met within the Resources Portfolio Property Management budget, which exists for this purpose.

**Property/Other**

13. The disposal of the land at Test Lane is consistent with the Corporate Property Strategy and it is property that is surplus to requirements.
14. The land is currently vacant.

**LEGAL IMPLICATIONS**

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

15. The relevant power of disposal is Section 123 of the Local Government Act 1972.

**Other Legal Implications:**

16. Not applicable

**POLICY FRAMEWORK IMPLICATIONS**

17. The disposal of a Council property for a capital receipt supports the Council's capital programme. Any additional receipt over and above those which are funding the current programme may be used to repay long-term borrowing, subject to the current position on temporary borrowing at that time together with any future prioritisation of resources.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Redbridge
------------------------------------	-----------

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Site Plan
2.	Confidential Appendix containing details of the proposed transaction and bids received.

**Documents In Members' Rooms**

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

**Equality Impact Assessment**

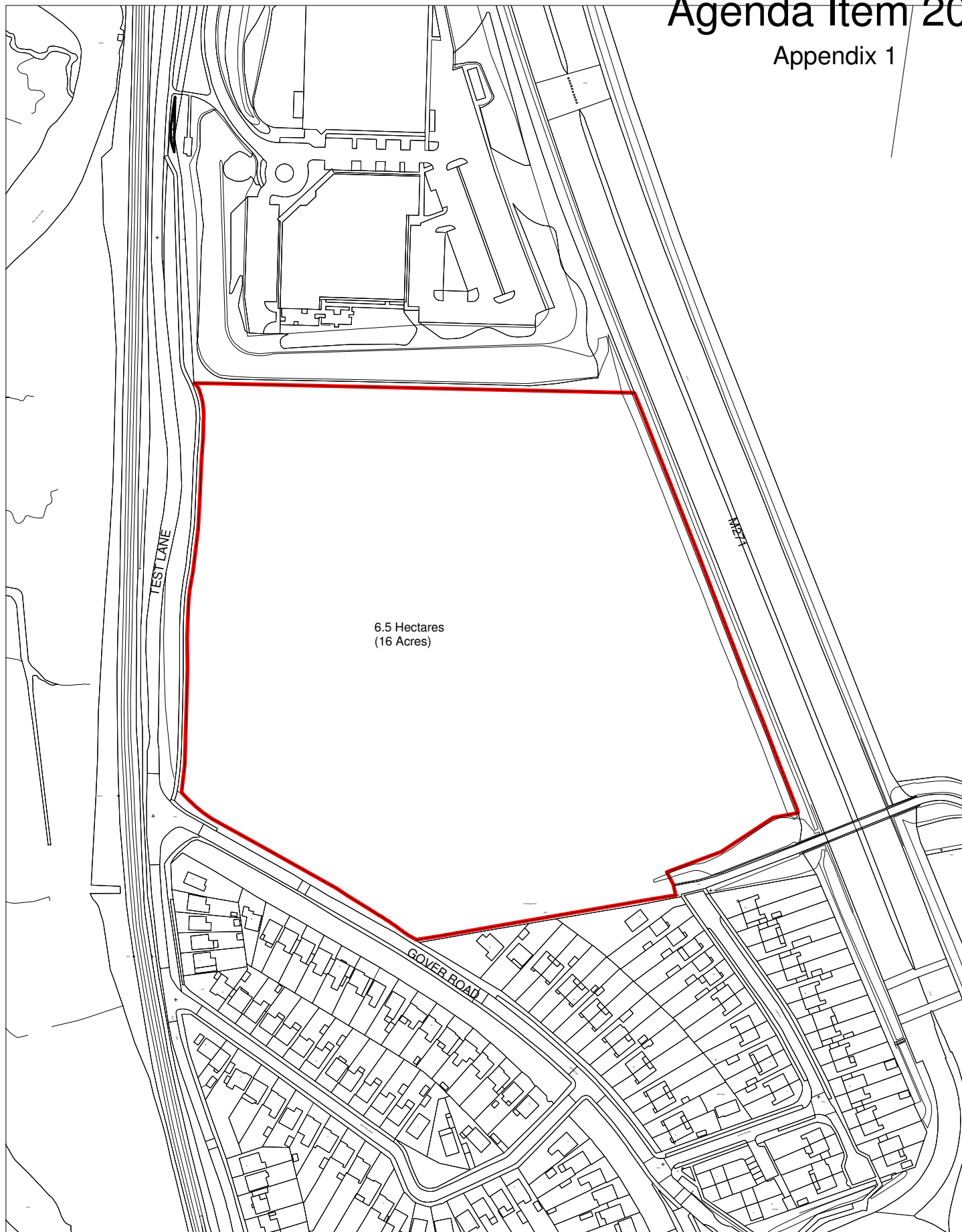
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
--	----

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

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

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

This page is intentionally left blank



© Crown copyright. All rights reserved. Southampton City Council 100019679 2012



**PROPERTY SERVICES**  
SOUTHAMPTON CITY COUNCIL  
ONE GUILDHALL SQUARE, ABOVE BAR,  
SOUTHAMPTON, SO14 7FP.

SCALE 1:2500

DATE  
24/07/12

PLAN NO

Test Lane Site Plan V2



This page is intentionally left blank

# Agenda Item 20

by virtue of paragraph number 3 of the Council's Access to information Procedure Rules

Appendix 2

Document is Confidential

This page is intentionally left blank