

Public Document Pack

Cabinet

Tuesday, 25th February, 2020
at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber - Civic Centre

This meeting is open to the public

Members

Leader – Councillor Hammond
Adult Care - Councillor Fielker
Aspiration, Children & Lifelong Learning –
Councillor Paffey
Healthier and Safer City – Councillor Shields
Resources - Councillor Barnes-Andrews
Green City & Environment – Councillor Leggett
Homes & Culture - Councillor Kaur
Place and Transport - Councillor Rayment

(QUORUM – 3)

Contacts

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BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

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

The Forward Plan

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

Implementation of Decisions

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

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

Use of Social Media

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

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

The Southampton City Council Strategy (2016-2020) is a key document and sets out the four key outcomes that make up our vision.

- Southampton has strong and sustainable economic growth
- Children and young people get a good start in life

Executive Functions

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

Key Decisions

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

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

Procedure / Public Representations

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

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

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

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

Municipal Year Dates (Tuesdays)

2019	2020
18 June	21 January
16 July	11 February
20 August	25 February (Budget)
17 September	17 March
15 October	21 April
19 November	
17 December	

- People in Southampton live safe, healthy, independent lives
- Southampton is an attractive modern City, where people are proud to live and work

CONDUCT OF MEETING

TERMS OF REFERENCE

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

RULES OF PROCEDURE

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

DISCLOSURE OF INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS

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

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

(ii) Sponsorship:

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

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

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

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

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

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

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

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

Other Interests

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

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

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

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

Principles of Decision Making

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

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

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.

In exercising discretion, the decision maker must:

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

AGENDA

1 APOLOGIES

To receive any apologies.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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

EXECUTIVE BUSINESS

3 STATEMENT FROM THE LEADER

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

There are no matters referred for reconsideration.

5 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)

There are no items for consideration

6 EXECUTIVE APPOINTMENTS

To deal with any executive appointments, as required.

MONITORING REPORTS

7 FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2019

□ (Pages 1 - 40)

To consider the report of the Cabinet Member for Resources detailing the revenue and capital monitoring position for the period to the end of December 2019.

ITEMS FOR DECISION BY CABINET

8 THE MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND CAPITAL PROGRAMME 2020/21 TO 2022/23 □ (Pages 41 - 294)

To consider the report of the Cabinet Member for Resources, detailing both the General Fund and Housing Revenue Account (HRA) the Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2022/23, the 2020/21 budget and the Capital Programme for the period 2019/20 to 2022/23.

Monday, 17 February 2020

Service Director – Legal and Business Operations

Agenda Item 7

DECISION-MAKER:	CABINET		
SUBJECT:	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2019		
DATE OF DECISION:	25 FEBRUARY 2020		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>This report is a combined financial monitoring report for revenue and capital.</p> <p>The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of December 2019, and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2019/20 to 2023/24.</p>

RECOMMENDATIONS:

<u>General Revenue Fund</u>	
It is recommended that Cabinet:	
i)	Note the forecast outturn position is a balanced position overall, as outlined in paragraph 4 and in paragraph 1 of appendix 1.
ii)	Note the performance of treasury management, and financial outlook in paragraphs 6 to 9 of appendix 1.
iii)	Note the Key Financial Risk Register as detailed in paragraph 12 of appendix 1.
iv)	Note the performance against the financial health indicators detailed in paragraphs 15 and 16 of appendix 1.
v)	Note the performance outlined in the Collection Fund Statement detailed in paragraphs 19 to 20 of appendix 1.
<u>Housing Revenue Account</u>	

	It is recommended that Cabinet:
vi)	Note the forecast outturn position is an underspend of £1.89M as outlined in paragraph 5 and paragraphs 17 and 18 of appendix 1.
	<u>Capital Programme</u>
	It is recommended that Cabinet:
vii)	Notes the revised General Fund Capital Programme, which totals £394.51M as detailed in paragraph 2, tables 2 and 6, and the associated use of resources in table 7 of Appendix 2.
viii)	Notes the revised HRA Capital Programme, which totals £178.26M as detailed in paragraph 2, tables 2 and 6 and the associated use of resources in table 7 of Appendix 2.
ix)	Notes that the overall forecast position for 2019/20 at quarter 3 is £134.96M, resulting in a potential underspend of £0.48M, as detailed in table 4 of Appendix 2.
x)	Notes that the capital programme remains fully funded up to 2023/24 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
xi)	Approves slippage and rephasing as detailed in paragraph 6 & 7 of Appendix 2. Noting that the movement has zero net movement over the 5 year programme.
xii)	Notes forecast slippage of £180.00M within the Resources portfolio to be approved as part of outturn in July 2020, reflecting the anticipated phasing of the continuation of the property investment fund which the council agreed in November 2019 and included in the capital programme for 2019/20, with £200M added to the capital programme for this purpose.
REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	Not Applicable.
DETAIL (including consultation carried out)	
	<u>Revenue</u>
3.	The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of December 2019 and key issues are summarised in Appendix 1.
4.	The current forecast spending against the council's net General Fund budget for the year of £189.57M is projected as a balanced position overall, broadly no change since Quarter 2.
5.	The forecast position for the HRA is an underspend of £1.89M against an expenditure budget of £74.24M, an improvement of £0.12M since Quarter 2.
	<u>Capital</u>

6.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2019/20 to 2023/24, highlighting the changes in the programme since the last reported position in November 2019. The report also notes the major forecast variances against the approved estimates. The figures provided in Appendix 2 reflect schemes as approved by Council or Cabinet since the previous report.
7.	The current forecast position for 2019/20 at quarter 3 is £134.96M, resulting in a potential underspend of £0.48M, as detailed in table 4 of Appendix 2.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
8.	The revenue and capital implications are contained in the report.
<u>Property/Other</u>	
9.	There are no specific property implications arising from this report other than the schemes already referred to within Appendix 2 of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
10.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications:</u>	
11.	None.
RISK MANAGEMENT IMPLICATIONS	
12.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
13.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring

Documents In Members' Rooms

1.	None
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Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	General Fund Revenue Budget Report 2019/20 to 2022/23 (Approved by Council February 2019)	
2.		

Agenda Item 7

Appendix 1

REVENUE FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2019

FINANCIAL POSITION

1. The current forecast spending against the council's net General Fund budget for the year is projected as a balanced position overall, with an adverse variance on portfolios being offset by a favourable variance on non-portfolio expenditure. This is broadly no overall change since Quarter 2, as summarised in Table 1 below.

Table 1 – General Revenue Fund Forecast 2019/20

	Budget Qtr 3 £M	Forecast Qtr 3 £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Portfolios Net Expenditure	180.37	184.48	4.10 A	0.09 A	4.01 A
Non-Portfolio Net Expenditure	9.19	5.09	4.10 F	0.10 F	4.00 F
Net Revenue Expenditure	189.57	189.57	0.00	0.01 F	0.01 A
Financing	(189.57)	(189.57)	0.00	0.00	0.00
(Surplus) / Deficit for the year	0.00	0.00	0.00	0.01 F	0.01 A

NB Numbers are rounded

2. More detail, including explanations of significant movements in variances between Quarter 2 and Quarter 3 (in excess of £0.1M) is provided in Annex 1.
3. £3.82M of the overall total overspend on portfolios relates to Aspiration, Children & Lifelong Learning and arises from additional agency staffing costs incurred to deal with high caseloads, and high levels of high cost residential and independent fostering agency cases, in the main.
4. £3.76M of the underspend on non-portfolio net expenditure relates to the release of centrally held funds to help meet pressures on portfolios.

Implementation of Savings Proposals

5. Of the £6.18M savings plans included within the 2019/20 budget £3.79M have been achieved or are on track to be achieved before the end of this financial year. The remaining £2.39M are now covered within the exercise of rebasing budgets that took place earlier this year (£2.29M) or can be covered by savings elsewhere (£0.09M).

Treasury Management

6. Treasury Management borrowing and investment balances as at 31 December 2019 and forecasts for the year-end are set out in Annex 2. After taking into account maturing

	and new debt requirements in year and a reduction in investment balances, there is an estimated increase in net borrowing of £93.03M for 2019/20.
7.	The government announced an increase in the margin on PWLB loan rates from 0.8% to 1.8% on 9 October 2019, an increase of £10k for each £1M borrowed. Interest rates and borrowing requirements are kept under review.
8.	Annex 2 includes an overview of current performance along with an update on the financial outlook. The Council approved a number of indicators at its meeting in February 2019. The Council has operated within the agreed prudential indicators for the first 9 months of the year and is forecast to do so for the remainder of the year.
9.	The Council will continue to monitor the financial markets closely in light of uncertainties over the UK's exit from the EU, and will keep its treasury management strategy under review.
	<u>Reserves & Balances</u>
10.	The General Fund Balance is currently £10.07M with no planned drawdown during the year. The use of reserves is being monitored and their use is in line with the Financial Strategy.
11.	At the 31 March 2019, earmarked reserves totalled £85.81M, plus Schools Balances totalling £2.85M. The estimated forecast position as at the 31 March 2020 is £67.34M, with Schools Balances forecast to be nil.
	<u>Key Financial Risks</u>
12.	The Council maintains a financial risk register which details the key financial risks that face the Council at a given point in time. This register informs the level of balances and reserves when the budget is set at the February Council meeting, as it also covers the risks faced beyond the current year (such as from future inflation or interest rate levels). The register has been reviewed and is attached as Annex 3.
	<u>Schools</u>
13.	As at 31 st December 2019 there are 13 schools reporting a deficit balance totalling £4.7M. This is a £0.24M increase from Quarter 2 and there is a reduction in overall schools in deficit of one compared to the position reported at the end of the second quarter. These schools continue to work with Children's & Families to agree Deficit Recovery Plans (DRP). Additional resources have been made available from earmarked reserves to fund a school improvement officer and additional finance support. This team is working closely with these schools to assist in the development of deficit recovery plans and to monitor achievement against these during 2019/20.
14.	The forecast for 2019/20 is for a pressure on High Needs to continue at £4M over budget. However, additional funding to offset this is a further central government contribution of £0.53M. The Schools Forum elected not to transfer 0.5% to High Needs and the forecast is therefore for a £3.47M overspend in High Needs. The High Needs Block funding for 2020/21 has a significant increase (17%) which will be targeted at reducing the pressure in this service rather than promoting new activity. The Service is working towards creating additional capacity within the City for children with High Needs who would otherwise become placed in expensive out of city settings which would significantly reduce High Needs expenditure.

Financial Health Indicators

15. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Annex 4 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.
16. At present all indicators are green with the exception of those for Creditor Payments. Undisputed invoices paid within terms are at 92.0% compared with a target of 98%. This is an improvement in performance compared to the second quarter. Following the move to Business World, payment runs are being made daily and priority is being given to invoices with payment terms shorter than 30 days.

Housing Revenue Account

17. The overall forecast position for the year end on income and expenditure items indicates an underspend of £1.89M as summarised in Table 2 below. The most significant movement from Quarter 2 (£0.18M favourable) relates to a reduction in planned delivery of cyclical maintenance due to delays in recruitment to the Capital Assets Team. Further details are provided in Annex 5.

Table 2 – Housing Revenue Account Forecast 2019/20

	Budget Qtr 3 £M	Forecast Qtr 3 £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Expenditure	74.24	72.50	1.74 F	1.62 F	0.12 F
Income	74.24	74.39	0.15 F	0.15 F	0.00
(Surplus) / Deficit for the year	0.00	(1.89)	1.89 F	1.77 F	0.12 F

Collection Fund

18. Annex 6 shows the forecast outturn position for the Collection Fund at Quarter 3, with the position summarised in Table 3.

Table 3 – Collection Fund Forecast 2019/20

	Council Tax £M	NDR £M	Total £M
Distribution of previous years' estimated surplus	2.39	3.10	5.49
Other income and expenditure	(0.62)	1.76	1.14
Deficit/(Surplus) for the year	1.77	4.86	6.63
Deficit/(Surplus) brought forward from 2018/19	(1.48)	(5.36)	(6.84)
Overall Deficit/(Surplus) Carried Forward	0.29	(0.50)	(0.21)
SCC Share of Deficit/(Surplus)	0.25	(0.94)	(0.69)

NB Numbers are rounded

19. The overall position has improved by £0.17M between Quarter 2 and Quarter 3, with an increase in the Non Domestic Rates surplus carry forward being greater than the increase in the Council Tax deficit.
20. Southampton City Council's £0.69M share of the net surplus on the Collection Fund will be taken into account in setting the 2020/21 General Revenue Fund Budget.

Annexes

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

OVERALL GENERAL REVENUE FUND FORECAST OUTTUN POSITION FOR 2019/20

Portfolio	Budget £M	Forecast Qtr 3 £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Adult Care	67.35	67.89	0.54 A	0.11 F	0.65 A
Aspiration, Children & Lifelong Learning	49.08	52.91	3.82 A	0.42 A	3.40 A
Green City & Environment	0.82	1.01	0.19 A	0.01 F	0.20 A
Healthier & Safer City	(5.33)	(5.33)	0.00	0.05 A	0.05 F
Homes & Culture	7.65	7.70	0.05 A	0.01 F	0.06 A
Leader	3.16	3.02	0.13 F	0.01 F	0.13 F
Place & Transport	22.43	22.35	0.08 F	0.05 A	0.13 F
Resources	35.21	34.92	0.29 F	0.30 F	0.01 A
Total Portfolios	180.37	184.48	4.10 A	0.09 A	4.01 A
Levies & Contributions	0.63	0.63	0.00	0.00	0.00
Capital Asset Management	5.15	5.05	0.09 F	0.10 F	0.01 A
Other Expenditure & Income	3.41	(0.59)	4.01 F	0.00	4.01 F
Net Revenue Expenditure	189.57	189.57	0.00	0.01 F	0.01 A
Draw from Balances	0.00	0.00	0.00	0.00	0.00
Council Tax	(101.75)	(101.75)	0.00	0.00	0.00
Business Rates	(83.29)	(83.29)	0.00	0.00	0.00
Non-Specific Government Grants	(4.53)	(13.27)	0.00	0.00	0.00
Total Financing	(189.57)	(189.57)	0.00	0.00	0.00
(SURPLUS)/DEFICIT	0.00	0.00	0.00	0.01 F	0.01 A

NB Numbers are rounded

EXPLANATIONS BY PORTFOLIO

ADULT SOCIAL CARE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **over** spend by **£0.54M** at year-end, which represents a percentage over spend against budget of **0.80%**. The Portfolio forecast variance has moved adversely by **£0.65M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Portfolio Outturn	0.54 A	0.11 F	0.65 A

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Long Term	0.64 A	0.00	0.64 A
Integrated Commissioning Unit Provider Relationships	0.18 F	0.11 F	0.07 F
Other smaller amounts	0.08 A	0.00	0.08 A
Total	0.54 A	0.11 F	0.65 A

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

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
Long Term	0.64 A	Since the budget rebasing exercise at quarter two there has been an increase of 0.51M due to a rise in high cost clients in residential and nursing care There has also been further debt cancellation during the quarter, with £0.13M cancelled since quarter two (£0.90M overall for the year to date).

ASPIRATION, CHILDREN AND LIFELONG LEARNING PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **over** spend by **£3.82M** at year-end, which represents a percentage over spend against budget of **7.35%**. The Portfolio forecast variance has moved adversely by **£3.40M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Portfolio Outturn	3.82 A	0.42 A	3.40 A

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Divisional Management and Legal	1.05 A	0.00	1.05 A
Quality Assurance Business Unit	0.09 A	0.00	0.09 A
Multi Agency Safeguarding Hub & Children in Need	0.45 A	0.00	0.45 A
Looked After Children & Provision	2.20 A	0.35 A	1.85 A
Integrated Commissioning Unit – Children’s Services	0.07 F	0.00	0.07 F
Education- Early Years & Asset Management	0.10 A	0.00	0.10 A
Early Help & Step Down	0.09 F	0.00	0.09 F
Targeted & Restorative Services	0.11 A	0.07 A	0.04 A
Other	0.02 F	0.00	0.02 F
Total	3.82 A	0.42 A	3.40 A

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

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
Divisional Management and Legal	1.05 A	Staffing related.
Multi Agency Safeguarding Hub & Children in Need	0.45 A	Staffing related.
Looked After Children & Provision	1.85 A	An increase in care package costs for children in residential placements as well as a correction of an overestimated level of income from Health towards these care packages.
Education- Early Years & Asset Management	0.10 A	Additional transportation costs of £0.08M for the movement of mobile modular classroom to and from Bitterne Park School which had not been provided for in the original estimate. The other £0.02M is a number of small adverse variations.

GREEN CITY & ENVIRONMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **over** spend by **£0.19M** at year-end, which represents a percentage over spend against budget of **20.1%**. The Portfolio forecast variance has moved adversely by **£0.20M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Portfolio Outturn	0.19 A	0.01 F	0.20 A

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Bereavement & Registration	0.17 A	0.00	0.17 A
Landscape Trading Area	0.04 A	0.00	0.04 A
Others	0.02 F	0.01 F	0.01 F
Total	0.19 A	0.01 F	0.20 A

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

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
Bereavement & Registration Services	0.17 A	Reduced income forecast from the crematorium (£0.12M) and cemeteries (£0.05M). Based on activity levels experienced in the period from August to October, the full year anticipated income forecast has been reduced.

HOMES & CULTURE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **over** spend by **£0.05M** at year-end, which represents a percentage over spend against budget of **0.6%**. The Portfolio forecast variance has moved adversely by **£0.06M** from the position reported at quarter two.

	Forecast Variance Q3	Forecast Variance Q2	Movement from Q2
	£M	£M	£M
Portfolio Outturn	0.05 A	0.01 F	0.06 A

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

Division / Service Activity	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Movement from Qtr 2
	£M	£M	£M
Private Sector Housing	0.08 A	0.02 F	0.10 A
Others	0.03 F	0.01 A	0.04 F
Total	0.05 A	0.01 F	0.06 A

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

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
Private Sector Housing	0.10 A	The expected percentage of licence applicants using their own surveyors in lieu of the Council's, and therefore incurring a reduced fee, has been higher than assumed over the last four months, and the income forecast has been reduced to reflect this.

HEALTHIER & SAFER CITY PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

There is currently no forecast variance for this portfolio. The Portfolio forecast variance has moved favourably by **£0.05M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Portfolio Outturn	0.00	0.05 A	0.05 F

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Community Safety, Alcohol Related Crime, CCTV	0.05 F	0.00	0.05 F
Prevention & Inclusion Service	0.05 A	0.05 A	0.00
Total	0.00	0.05 A	0.05 F

There are no SIGNIFICANT movements between Qtr 2 and Qtr 3 for the Portfolio.

LEADERS PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **under** spend by **£0.13M** at year-end, which represents a percentage under spend against budget of **4.1%**. The Portfolio forecast variance has moved favourably by **£0.12M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Portfolio Outturn	0.13 F	0.01 F	0.12 F

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Property	0.07 F	0.01 F	0.06 F
Chief Executive	0.06 F	0.00	0.06 F
Total	0.13 F	0.01 F	0.12 F

There are no SIGNIFICANT movements between Qtr 2 and Qtr 3 for the Portfolio.

RESOURCES PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **under** spend by **£0.29M** at year-end, which represents a percentage under spend against budget of **1.0%**. The Portfolio forecast variance has moved adversely by **£0.01M** from the position reported at quarter two.

	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Movement from Qtr 2
	£M	£M	£M
Portfolio Outturn	0.29 F	0.30 F	0.01 A

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

Division / Service Activity	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Movement from Qtr 2
	£M	£M	£M
Finance & Commercialisation	0.35 F	0.30 F	0.05 F
OD Strategy, Workforce Planning & Employee Relations	0.06 A	0.00	0.06 A
Total	0.29 F	0.30 F	0.01 A

There are no **SIGNIFICANT** movements between Qtr 2 and Qtr 3 for the **Portfolio**.

PLACE & TRANSPORT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3 2019/20

The Portfolio is currently forecast to **under** spend by **£0.08M** at year-end, which represents a percentage under spend against budget of **0.002%**. The Portfolio forecast variance has moved favourably by **£0.13M** from the position reported at quarter two.

	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Movement from Qtr 2
	£M	£M	£M
Place & Transport Portfolio	0.08 F	0.05 A	0.13 F

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

Division / Service Activity	Forecast Variance Qtr 3	Forecast Variance Qtr 2	Movement from Qtr 2
	£M	£M	£M
City Services – Waste Management	0.11 F	0.00	0.11 F
City Services – Districts & Commercial	0.21 A	0.05 A	0.16 A
Regulatory Services	0.14 F	0.00	0.14 F
Other	0.04 F	0.00	0.04 F
Total	0.08 F	0.05 A	0.13 F

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

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
City Services – Waste Management	0.11 F	The favourable variance in Waste Management is primarily due to domestic waste disposal cost reductions, partially offset by reduced income for Dry Mixed Recyclables.

City Services – Districts & Commercial	0.16 A	The increased adverse variance relates to use of temporary staff to cover vacancies during the year, vehicle damage, running & repair costs due to the ageing fleet, and increasing utility costs.
Regulatory Services	0.14 F	The level of trade coming through the port has been higher than in previous years, which is reflected in the forecast level of Port Health income receivable.

NON-PORTFOLIO EXPENDITURE & INCOME

KEY REVENUE ISSUES – QUARTER 3 2019/20

Non-Portfolio Expenditure & Income is currently forecast to **under** spend by **£4.10M** at year-end, which represents a percentage under spend against budget of **44.6%**. The Non-Portfolio forecast variance has moved favourably by **£4.00M** from the position reported at quarter two.

	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Non-Portfolio Expenditure	4.10 F	0.10 F	4.00 F

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

Division / Service Activity	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M
Levies & Contributions	0.00	0.00	0.00
Capital Asset Management	0.09 F	0.10 F	0.01 A
Other Expenditure & Income	4.01 F	0.00	4.01 F
Total	4.10 F	0.10 F	4.00 F

The **SIGNIFICANT** movements between Qtr 2 and Qtr 3 for the Non-Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 2 and Qtr 3 2019/20 £M	Explanation
Other Expenditure & Income	4.01 F	Release of centrally held funds to help meet pressures on portfolios (£3.76M) and formerly unallocated income credited centrally (£0.25M).

Treasury Management					
Borrowing and Investments					
1.	The table below shows the year's opening balance of borrowing and investments, current levels and those predicted for year-end.				
2.	Borrowings and Investments	01.04.2019 Balance £M	31.12.2019 Balance £M	Average Yield/Rate %	31.03.2020 Estimated Balance £M
	External Borrowing				
	Public Works Loan Board (PWLB)	197.34	278.86	2.62	247.87
	Market Loans	9.00	9.00	4.86	9.00
	Total Long Term Borrowing	206.34	287.86	2.72	256.87
	Temporary Borrowing	40.00	5.35	0.87	57.81
	Total External Borrowing	246.34	293.21	2.66	314.68
	Borrowings and Investments	01.04.2019 Balance £M	30.09.2019 Balance £M	Average Yield/Rate %	31.03.2020 Estimated Balance £M
	Investments				
	Cash (Instant access)	(26.06)	(29.60)	(0.66)	(10.00)
	Local Authority	(9.00)	(40.00)	(0.77)	(0.00)
	Cash (Notice Account)		(5.00)	(0.95)	(5.00)
	Short Term Bonds	(1.60)	(0.00)	(1.09)	(0.00)
	Long Term Bonds	(6.03)	(3.01)	(5.30)	(3.00)
	Property Fund	(27.00)	(27.00)	(4.42)	(27.00)
	Total Investments	(69.69)	(104.61)	(4.00)	(45.00)
	Net Borrowing	176.65	188.60		269.68
3.	After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is an estimated increase in net borrowing of £93.03M for 2019/20.				
4.	The interest cost of financing the council's long term and short term loan debt is charged to the general fund revenue account and is detailed below together with a summary of performance to date.				
	Borrowing				
5.	The forecast cost of financing the council's loan debt is £14.52M of which £5.2M relates to the HRA however this will be subject to movement as the need for further borrowing during the year becomes more certain.				
6.	As a result of the current economic uncertainty, the benchmark gilt rates for PWLB loans have fallen to historic lows. In order to secure this advantageous rate, a £90M 15 year EIP (Equal Instalment Payment) loan was taken at 1.12% in early September. Rates have since risen				

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	following the government’s announcement on 9th October that the margin on loans has increased from 0.8% to 1.8% an increase of 100 base points or £10k for each £1M borrowed.
7.	Short term interest rates have remained low and are likely to do so for the remainder of the year and offer good value, which we will utilise to fund any further borrowing needs in the year, unless a further opportunity arises to secure a long term loan at advantageous rates. We currently have £5M in short term debt and this is expected to increase to £58M to replace maturing long term debt, expected reduction in reserves and to fund the forecast capital programme for the year.
	<u>Investment</u>
8.	As a result of taking the PWLB loan, balance are higher than usual at £104.6M but are expected to fall throughout the year to an estimated £45M by the end of the year as we have a number of debt maturities in the second half of the year and an ongoing capital programme, but this will be dependent on actual capital spend and movement in balances.
	<u>External Managed investments</u>
9.	The council has invested £27M in property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. As at the 30th December 2019 the sell price of our total investments were valued at £27.06M a notional “gain” of £0.06M against the initial investments of £27M. This is a reduction from that previously reported and reflects the current economic climate. The estimated return for the year is £1.2M if yields remain around current levels.
	<u>Financial Review and Outlook for 2019/20</u>
10.	A summary of the external factors, which sets the background for Treasury, as provided by the council’s treasury advisors, Arlingclose Ltd, is provided below. The low for longer interest rate outlook theme that has been at the core of the recommended strategic advice for over a decade remains.
11.	The UK’s progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority’s treasury management strategy for 2020/21. The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.
12.	GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England’s Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.
13.	The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the BOE target of 2%. Labour market data continues to be positive. The ILO unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November

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	2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.																																																																						
14.	Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.																																																																						
15.	The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%). The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.																																																																						
16.	Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities, however this may now be impacted by the PWLB increasing the margin for borrowing.																																																																						
	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th> <th>Mar-20</th> <th>Jun-20</th> <th>Sep-20</th> <th>Dec-20</th> <th>Mar-21</th> <th>Jun-21</th> <th>Sep-21</th> <th>Dec-21</th> <th>Mar-22</th> <th>Jun-22</th> <th>Sep-22</th> <th>Dec-22</th> <th>Mar-23</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Official Bank Rate</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td style="text-align: left;">Upside risk</td> <td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td><td>0.25</td> </tr> <tr> <td style="text-align: left;">Arlingclose Central Case</td> <td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td> </tr> <tr> <td style="text-align: left;">Downside risk</td> <td>0.50</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td><td>0.75</td> </tr> </tbody> </table>		Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Official Bank Rate														Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
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	<u>Credit background</u>																																																																						
17.	There were few credit rating changes during the quarter, none of which have impacted on our investment strategy.																																																																						
18.	<u>Investment Performance</u>																																																																						
19.	The council's advisors undertake quarterly investment benchmarking across its client base. As reported previously our portfolio was more diversified and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we will see a fall in suitable instruments. With this in mind, and following discussions with our advisors, it was decided to move more into property funds, which are a longer term investment, and to short term investments for cash flow purposes.																																																																						

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20.	During the last quarter further bonds matured and our investments in bonds is now £3.01M. We have maintained the property funds at £27M, with all other cash being placed in short term deposits as shown in paragraph 2.
21.	As detailed in paragraph 6 above a £90M loan was taken from PWLB at beginning of September leading to a temporary increase in our cash balances. As a result we had £77.61M of internal investment which is higher than normal. Our target is to reduce this to a £10M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.
22.	<p>Investments managed internally are currently averaging a return of 0.93% which is higher than the average of 0.81% whilst still maintaining the average credit rating of AA-. Total income return at 1.81% is also slightly higher than the average for both unitary (1.65%) and LA's (1.43%).</p> <p>However due to a fall in the capital value of our external funds of 2.02% our total investment return at 1.28% is lower than both unitary (1.66%) and LA's (1.67%) across Arlingclose's client base, but as previously reported it is the income return at 4.42% that is the driver to invest plus they are deemed less risky than buying individual properties and do not constitute capital spend.</p>

KEY FINANCIAL RISKS

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

LIKELIHOOD (Probability)	
A - Almost Certain > 95%	Highly likely to occur
B - Likely	Will probably occur
C - Possible 50%	Might occur
D - Unlikely	Could occur but unlikely
E - Very Unlikely < 5%	May only occur in exceptional circumstances

IMPACT (Consequence)	
1 - Extreme	Loss or loss of income > £20m
2 - Major	Loss or loss of income £10m < £20m
3 - Significant	Loss or loss of income £5m < £10m
4 - Moderate	Loss or loss of income £500k < £5m
5 - Minor	Loss or loss of income £10k < £500k

- **Robustness of estimates**

Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
	Likelihood	Impact		Likelihood	Impact
FE1. Pay Inflation - underestimated in the original estimates.	Possible	Moderate	<ul style="list-style-type: none"> • <i>The MTFs model approved in February 2019 is based on a pay award of 2% over the medium term.</i> 	Unlikely	Minor
FE2. Interest rates are underestimated.	Likely	Major	<ul style="list-style-type: none"> • <i>PWLB rates increased 1% on 9 October 2019 with less than 1 hour notice. Funding was secured about 1 month prior to this for £90M for the capital programme at advantageous rates, in anticipation of subsequent step ups with interest rates. Prudent estimates are made around future rates when costing the financing of the capital programme.</i> • <i>Market intelligence provided by Treasury Management advisors.</i> • <i>Treasury Management Strategy is aligned with CIPFA Code and MHCLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.</i> 	Possible	Significant
FE3. Existing fees and charges: Projected levels of income within the period are not achieved and/or maintained.	Possible	Moderate	<ul style="list-style-type: none"> • <i>Fees and charges have been reviewed as part of the business planning process. If there are 'in year' shortfalls these form part of the budget monitoring processes.</i> • <i>Lower risk as existing income streams are known and are therefore more predictable</i> 	Possible	Moderate
FE4. New income streams: Projected levels of income within the period are not achieved.	Possible	Moderate	<ul style="list-style-type: none"> • <i>Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop and exit from the European Union that these levels of income will not be achieved.</i> • <i>Higher risk as it is based on new sources of income.</i> 	Possible	Moderate
FE5. Volatility of Business Rates funding given the uncertainty around impact of successful appeals .	Likely	Significant	<ul style="list-style-type: none"> • <i>The Valuations Office undertook a reset of rateable values from 2017/18. The provision has been reviewed in light of the revaluation and known current appeals and will be reviewed on a regular basis, at present this is deemed to be adequate.</i> • <i>Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.</i> • <i>In December 2014 the Government announced it was closing the appeals window and that appeals received on or after 1 April 2015 will only be backdated until this date.</i> • <i>The appeals window for the 2010 rating list has been closed.</i> 	Unlikely	Minor

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE6.	Increase in demand led spending pressures (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.	Possible	Significant	<ul style="list-style-type: none"> • Annual budget setting process developed in consultation with service managers • Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to CMT and Cabinet (Quarterly). • Action plans to address any significant in year budget variances are agreed with CMT with the status of the agreed actions reported to CMT on a monthly basis • Action plans intended to manage/reduce the number of Looked After Children 	Possible	Moderate
FE7a.	Third party provider costs will increase as a result of the introduction of the National Living Wage	Almost certain	Moderate	<ul style="list-style-type: none"> • As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget. 	Possible	Moderate
FE7b.	Third party provider costs increase as result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Possible	Moderate	<ul style="list-style-type: none"> • ICU contract monitoring arrangements and general market oversight and intelligence 	Unlikely	Minor
FE8.	Legal challenge to savings proposals that could result in the proposal being either discontinued or revised.	Possible	Moderate	<ul style="list-style-type: none"> • Robust budget consultation process in place (which started in October 2019 and closed in January 2020 for draft budget/MTFS covering 2020/21 and onwards). 	Unlikely	Minor
FE9.	Pressure on returns from investment properties in both the short and longer term.	Possible	Significant	<ul style="list-style-type: none"> • There is a full and robust process around the financial and legal analysis of the individual investments. • Investments are diversified between sectors. 	Possible	Moderate
FE10.	Voluntary sector is either unwilling or unable to support the delivery of certain services or activities	Possible	Significant	<ul style="list-style-type: none"> • Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector 	Possible	Moderate
FE11.	The council's service delivery partners seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement.	Likely	Significant	<ul style="list-style-type: none"> • Central Contracts Team monitors and work closely with the council significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities. 	Possible	Moderate

- Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	Likelihood		Impact	Likelihood
FR1.	Business Rate Retention & Council Tax Growth - the council fails to collect, retain and grow business rate income	Significant	Significant	<ul style="list-style-type: none"> • The assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government. • The current MTFS includes assumptions on growth which have been reviewed compared with past expectations as factored into budget plans. This has been undertaken in conjunction with the Growth service team and Business rate collection team, including pipeline developments and their assumed operation dates. This will be monitored on a frequent basis as part of the standard monitoring. • Reserves can be used to offset the impact of shortfalls in estimated business rates, giving time to adapt the budget and service planning. 	Possible	Moderate
FR2.	Delivery of all of the agreed savings is not achieved.	Possible	Major	<ul style="list-style-type: none"> • Progress and delivery of the overall Programme and individual projects is monitored at Director level, by CMT, with any non achievement forming part of the normal budget monitoring action plan process. • CMT review the validity and achievability of projects and provide approval (or not) to projects 	Unlikely	Significant
FR3.	The Government could impose a lower Council Tax referendum threshold and/or reduce or remove the Adult Social Care Levy	Possible	Moderate	<ul style="list-style-type: none"> • The MTFS agreed in February 2019 assumed a 1.99% increase in Council Tax for each of the years 2020/21 - 2022/23. The Government consulted on a 2% referendum limit for core Council Tax in the 2020/21 Provisional Settlement. • The Adult Social Care Levy was introduced as part of the Autumn 2015 Spending Review and allowed local authorities with social care responsibilities to increase Council Tax by a further 6% over the 3 years 2017/18 - 2019/20 (3% was applied in 17-18 & 18-19 and 0% in 19-20). The MTFS agreed in February 2019 assumed no further increases beyond 2019/20 for any increase in this income over and above the 6%. The Government consulted on a 2% referendum limit for the ASC Levy in the 2020/21 Provisional Settlement. • Draft 2020/21 budget currently assumes only a 2% overall rise in council tax for 2020/21, based on a charge for the ASC levy. 	Unlikely	Moderate
FR4.	Slippage in capital receipts (not accompanied by a slippage in spend).	Possible	Moderate	<ul style="list-style-type: none"> • Non-receipt of any planned income will require a permanent draw from reserves, additional borrowing or for savings to be found in the capital programme. • Impact reflects the cost of borrowing in short term (the interest payments). 	Possible	Minor
FR5.	If building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances and, in turn, the business model in respect of the redevelopment and refurbishment of the SCC Housing stock.	Possible	Significant	<ul style="list-style-type: none"> • Surpluses are liable to change annually, either favourably or not, and this will be reflected the annual review of stock investment needs and estimated unit rates. • Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget 	Possible	Moderate
FR6.	The level of funds within the internal insurance provisions is inadequate to meet current or future demand	Possible	Moderate	<ul style="list-style-type: none"> • The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds. • The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis. 	Unlikely	Moderate

- Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Impact	Likelihood		Impact	Likelihood
FR7.	Ad hoc or unforeseen events / emergencies.	Possible	Significant	<ul style="list-style-type: none"> • The Council's Reserves may be utilised in respect of the financial impact of such an event. • Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme. 	Possible	Significant
FR8.	The cost of implementing the Care Act 2014 is greater than anticipated.	Unlikely	Moderate	<ul style="list-style-type: none"> • Current assumption is for the cost of this new burden to be met by the funding allocation provided within the Better Care Fund and the new Carers and Care Act Implementation grant • The main implications of the Care Act have been deferred beyond 2019-20. 	Unlikely	Moderate
FR9.	CCG could seek to reduce its level of contribution to the 'pooled budgeting' arrangement with SCC	Possible	Significant	<ul style="list-style-type: none"> • Ongoing relationship and dialogue with CCG re shared objectives and outcomes. 	Unlikely	Moderate
FR10.	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms	Possible	Moderate	<i>The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.</i>	Possible	Moderate
FR11.	Inflation increases at a higher rate than anticipated	Possible	Moderate	<ul style="list-style-type: none"> • Assumptions have been made in the forecast about the likely level of general inflation that will apply in 2019/20. CPI is currently running at 1.4%. • Market intelligence provided by Arlingclose - independent treasury advisors • An amount is included in the MTFS to cover key elements of inflation. • Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference. 	Unlikely	Minor
FR12.	Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Moderate	<ul style="list-style-type: none"> • National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment. • There may be either pressure or incentives for non UK owned business to move operations back to within an EU country. • Treasury Management advisors are regularly updating the Council on the economic impact of exiting the European Union, the strength of the pound, inflation and interest rates. 	Likely	Moderate
FR13.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation	Possible	Moderate	<ul style="list-style-type: none"> • A Projects and Change Team has been established. A full programme management process is in place including planning and risk assessment, with significant support to major projects. 	Unlikely	Moderate
FR14.	New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur.	Possible	Moderate	<ul style="list-style-type: none"> • New accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Risk Reserve will be used to manage the volatility that the timing difference may cause. • The Government has put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23. 	Possible	Moderate

Prudential Indicators Relating to Treasury

	<u>Maximum</u>	<u>Forecast</u>	<u>Status</u>
Maximum Level of External Debt £M	£925M	£468M	Green
As % of Authorised Limit	100%	50.59%	Green
	<u>Maximum</u>	<u>Highest YTD</u>	<u>Status</u>
Authorised Limit for external debt £M	£925M	£377M	Green
Operational Limit for external debt £M	£875M	£377M	Green
Maximum external borrowing year to date		£311M	Green
Limit of fixed interest debt %	100%	85.0%	Green
Limit of variable interest debt %	50%	15.0%	Green
Limit for Non-specified investments £M	£55M	£35M	Green
Other Treasury Performance Indicators	<u>Target</u>	<u>Actual YTD</u>	<u>Status</u>
Average % Rate Long Term New Borrowing	3.00%	1.12%	Green
Average % Rate Existing Long Term Borrowing	3.50%	3.37%	Green
Average Short Term Investment Rate - Cash	0.40%	0.75%	Green
Average Short Term Investment Rate – Fixed	0.40%	0.70%	Green
Average Short Term Investment Rate - Bonds	0.50%	1.21%	Green
Average Long Term Investment Rate - Bonds	2.00%	4.06%	Green
Average Return on Property Fund	4.00%	4.42%	Green

Minimum Level of General Fund Balances

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

Income Collection

	<u>2019/20</u> <u>Target</u>	<u>Qtr3</u> <u>YTD</u>	<u>Status</u>
Outstanding Debt:			
More Than 12 Months Old (Agresso only)	<20%	15.15%	Green
Debt written off	<5%	0.07%	Green

Creditor Payments

	<u>2019/20</u> <u>Target</u>	<u>Qtr3</u> <u>YTD*</u>	<u>Status</u>
Payment Days	20	10	Green
Undisputed invoices paid within terms	98.0%	92.0%	Amber

(*Q3 data excludes some transaction types)

Tax Collection rate

	<u>2018/19 Actual Rate</u>	<u>Target Collection Rate</u>	<u>Qtr 3 Collection Rate</u>		<u>Status</u>
			<u>Last Year</u>	<u>This Year</u>	
Council Tax	94.9%	94.9%	80.9%	80.5%	Green
National Non Domestic Rates	99.2%	85.6%	85.6%	80.6%	Green

	Budget £M	Forecast Qtr 3 £M	Variance Qtr 3 £M	Forecast Qtr 2 £M	Variance Movement from Qtr 2 £M
Expenditure					
Responsive repairs	11.33	11.13	0.20 F	0.20 F	0.00
Housing investment	5.19	4.81	0.38 F	0.20 F	0.18 F
Rents payable	0.10	0.10	0.00	0.00	0.00
Debt management	0.09	0.13	0.05 A	0.05 A	0.00
Supervision & management	23.08	22.84	0.24 F	0.30 F	0.06 A
Interest & principal repayments	6.56	5.59	0.97 F	0.97 F	0.00
Depreciation	19.97	19.97	0.00	0.00	0.00
Direct revenue financing of capital	7.94	7.94	0.00	0.00	0.00
Total expenditure	74.24	72.50	1.74 F	1.62 F	0.12 F
Income					
Dwelling rents	70.16	70.16	0.00	0.00	0.00
Other rents	1.16	1.16	0.00	0.00	0.00
Service charge income	2.28	2.23	0.05 A	0.05 A	0.00
Leaseholder service charges	0.64	0.84	0.20 F	0.20 F	0.00
Interest received	0.01	0.01	0.00	0.00	0.00
Total income	74.24	74.39	0.15 F	0.15 F	0.00
(Surplus) / Deficit for the year	0.00	(1.89)	1.89 F	1.77 F	0.12 F

Housing Revenue Account Forecast Quarter 3 2019/20

NB Table includes numbers which are rounded

Responsive Repairs (£0.20M favourable variance, no movement from Qtr 2)

Due to the expansion of fire safety remedial works in the capital programme, the Housing Operations team have diverted time into this area to deliver the works required. This has led to a £0.2M favourable variance as staffing costs have been recharged into this capital scheme.

Cyclical Maintenance (Housing Investment) (£0.38M favourable variance, £0.18M favourable movement from Qtr 2)

Delays in recruitment to the Capital Assets Team have resulted in a reduction in the cyclical maintenance carried out. None of the statutory landlord responsibilities have been affected by this reduction. The favourable movement since quarter two of £0.18M is due to the re-forecasting of specific maintenance budgets for which there is no planned delivery this year, due to the ongoing recruitment delay.

Supervision & Management (£0.24M favourable variance, £0.06M adverse movement from Qtr 2)

There has been a reduction in the forecast recharge from the Capital Assets Team of £0.3M, based on a review of the work undertaken for the Housing Revenue Account due to vacancies within the team.

There has also been high staff turnover in the Neighbourhood Warden teams, and the resulting vacant posts, which are in the process of being recruited to, have resulted in a forecast favourable variance of £0.17M.

Low staff turnover in Supported Housing will result in an adverse variance of £0.03M as the vacancy management factor is not expected to be achieved. In addition to this, a review of recharges to the General Fund for Occupational Therapists, and the work patterns to support it, will lead to an under-recovery of £0.07M.

The remaining balance relates to a number of small variances within this area.

APPENDIX 1 – ANNEX 5

Interest & Principal Repayments (£0.97M favourable variance, no movement from Qtr 2)

As a result of a review of the HRA capital programme (and subsequent reduction in forecast expenditure) the amount of borrowing required for capital financing has decreased, leading to a reduction in the interest and principal payable.

Leaseholder Service Charges (£0.20M favourable variance, no movement from Qtr 2)

Further work has been carried out to increase applicable charges for works allowable under section 20 of the Commonhold and Leasehold Reform Act 2002.

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2020

	Current Budget 2019/20 £M	Forecast 2019/20 £M	Variance Adverse / (Favourable) 2019/20 £M
Council Tax			
<u>Income</u>			
Total Council Tax Income	(117.98)	(117.72)	0.26
<u>Expenditure</u>			
Total Council Tax Expenditure (incl. precepts)	120.36	119.49	(0.87)
Council Tax Deficit/(Surplus) for the Year	2.39	1.77	(0.61)
Council Tax Deficit/(Surplus) Brought Forward	(2.39)	(1.48)	0.91
Council Tax Deficit/(Surplus) Carried Forward	0.00	0.29	0.29
Business Rates			
<u>Income</u>			
Total Business Rates Income	(115.35)	(108.70)	6.65
<u>Expenditure</u>			
Total Business Rates Expenditure	118.45	113.56	(4.89)
Business Rates Deficit/(Surplus) for the Year	3.10	4.86	1.76
Business Rates Deficit/(Surplus) Brought Forward	(3.10)	(5.36)	(2.27)
Business Rates Deficit/(Surplus) Carried Forward	0.00	(0.50)	(0.50)
Total Collection Fund (Surplus)/Deficit	0.00	(0.21)	(0.21)
Council Tax (Surplus)/Deficit			
Contribution (to)/ from SCC		0.25	
Contribution (to)/ from HPA		0.03	
Contribution (to)/ from F&RS		0.01	
Council Tax Collection Fund Balance c/f		<u>0.29</u>	
NDR (Surplus)/Deficit			
Contribution (to)/ from SCC		(0.94)	
Contribution (to)/ from MHCLG		0.44	
Contribution (to)/ from HF&R		(0.01)	
NDR Collection Fund Balance c/f		<u>(0.50)</u>	
Total SCC (Surplus)/Deficit		<u>(0.69)</u>	

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APPENDIX 2

CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2019							
THE 5 YEAR CAPITAL PROGRAMME							
1.	Table 1 shows a comparison of the latest capital expenditure for the period 2019/20 to 2023/24 compared to the previously reported programme, and shows an increase of £204.38M.						
	<u>Table 1 – Programme Comparison</u>						
	2019/20	2020/21	2021/22	2022/23	2023/24	Total	
	£M	£M	£M	£M	£M	£M	
	Latest Programme	135.44	295.68	57.30	83.87	0.48	572.77
	Previous Programme	120.94	106.59	56.81	83.77	0.28	368.39
	Variance	14.50	189.09	0.49	0.10	0.20	204.38
CHANGES TO THE OVERALL PROGRAMME							
2.	Table 2 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £394.51M and £178.26M for the HRA.						
	<u>Table 2 – Changes to Portfolio Programmes</u>						
		Latest Programme	Previous Programme	Total Change			
		£M	£M	£M			
	Adult Care	1.14	1.14	0.00			
	Aspiration, Children and Lifelong Learning	89.65	89.65	0.00			
	Healthier and Safer City	10.84	10.85	(0.01)			
	Homes and Culture	2.52	2.52	0.00			
	Leader	31.43	29.72	1.71			
	Place and Transport	51.22	49.62	1.60			
	Resources	207.71	6.63	201.08			
	Total GF Capital Programme	394.51	190.13	204.38			
	Total HRA Capital Programme	178.26	178.26	0.00			
	Total Capital Programme	572.77	368.39	204.38			

SLIPPAGE/REPHASING																																																								
3.	Following the quarterly review to ensure that all projects are accurately profiled and budgets are suitably aligned to anticipated works and spend, there is £188.51M of General Fund anticipated work in 2019/20 being slipped into later years. Details are provided in annex 2. Approval for the forecast slippage of £180.00M for the Property Investment Fund within Leader portfolio will be sought as part of the Outturn Report in July 2020 and should only be noted within this report.																																																							
4.	Table 3 below summarises resulting slippage and rephasing by individual capital programmes. There is zero net effect to the budgets over the 5 year capital programme.																																																							
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5.	The forecast performance of individual capital programmes in 2019/20 is summarised in table 4 below.																																																							
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6.	The programme is currently forecast to be underspent by £0.48M. The reasons for the major forecast variances changes since the last report are detailed in Annex 1.																																								
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7.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Central Government Grants and from other bodies • Contributions from third parties • Council Resources - Capital Receipts from the sale of HRA assets • Council Resources - Capital Receipts from the sale of General Fund assets • Revenue Financing • Council Resources – Borrowing 																																								
8.	Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes.																																								
9.	It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government grants to be received. The majority of these grants relate to funding for schools and transport and are unringfenced. However in 2019/20 these grants have been passported to these areas.																																								
10.	Table 5 shows the current level of available resources.																																								
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11.	The table shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process.																																								

12.	It should be noted that there has been no variation to the expected capital receipts since the last reported position.																																																																																																																																																										
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13.	Table 6 and 7 show capital expenditure by portfolio and the use of resources to finance the programme up to and including 2023/24, including amendments that are being requested as part of this report.																																																																																																																																																										
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14.	Table 7 demonstrates that the most significant amount for funding for the General Fund programme is provided by Council Resources, which at present, is mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funded by Major Repairs Allowance (direct revenue contribution).																																																																																																																																																										

SUPPORTING DOCUMENTATION

Annexes

- | | |
|----|--|
| 1. | GF & HRA Major Forecast Variance Changes Since Last Reported Position. |
| 2. | GF & HRA Slippage & Rephasing as at December 2019. |

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GF & HRA Major Forecast Variance Changes Since Last Reported Position

ASPIRATION, CHILDREN & LIFELONG LEARNING	
1.	<p><u>Primary School Review – Springwell Main Expansion 15/16 (Overspend of £0.40M)</u></p> <p>At Q2 the overspend on this scheme was reported as £0.28M, this valuation did not include the contractor’s calculation for loss & expenses from delay & disruption pending the conclusion of the extension of time claim which has resulted in an increase in the overspend of £0.12M.</p>
HRA	
2.	<p><u>Milner Court Heating Upgrade (Underspend of £0.33M)</u></p> <p>It has been determined that a replacement heating service at Milner Court less sophisticated operating system than planned would be more suitable at a lower cost. The existing heating panels at this property will be reused as part of the city wide heating improvement programme.</p>
3.	<p><u>Disabled Adaptations (Underspend of £0.10M)</u></p> <p>Two extensions that were due to be built as part of this year’s programme were submitted too late to be included in the 2019/20 plan of works, due to a lack of resource to inspect properties. Budget provisions for future planned extensions have been reviewed, during the HRA Business Planning process. The remaining two extensions from 2019/20 can be achieved within the existing budgets for future years.</p>
4.	<p><u>Door Entry Systems (Overspend of £0.10M)</u></p> <p>Due to security issues and vandalism, some doors in residential blocks require immediate replacement resulting in additional expenditure.</p>
5.	<p><u>Roofing Lot 1 West- Flat Roofs (Underspend of £0.34M)</u></p> <p>At Quarter 2 an underspend on this scheme of £0.30M was reported, a further £0.04M saving has been identified from this scheme to offset budget pressures in the fire safety programme.</p>
6.	<p><u>Estate Regeneration (Potters Court) Underspend of £1.22M)</u></p> <p>At Quarter 2 an underspend on this scheme of £1.13M was reported, a further £0.09M saving has been identified following a further review of the schemes budget.</p>

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GF & HRA Slippage & Rephasing as at December 2019.

ADULT CARE	
1.	<p><u>Telecare Equipment (Slippage £0.40M from 2020/21 to 2021/22, 2022/23 & 2023/24)</u></p> <p>The Telecare Equipment budget from 2020/21 has been spread over three future financial years to 2023/24. Due to the low conversion rates for telecare equipment over recent years it is anticipated that needs over the next three years can be met from this budget.</p>
ASPIRATION, CHILDREN & LIFELONG LEARNING	
2.	<p><u>Primary Review P2 - Fairisle Junior (Slippage of £0.21M from 2019/20 to 2020/21 & 2021/22)</u></p> <p>Slippage of £0.18M to 2020/21 due to the discovery of asbestos within the existing building requiring works to be delayed as asbestos removal could only be completed during periods when the school was closed. The removal of the asbestos has now been completed. A further £0.03M has been slipped to 2021/22 in line with the anticipated retention payment.</p>
3.	<p><u>Chamberlayne Refurbishment (Slippage of £2.00M from 2019/20 to 2020/21)</u></p> <p>Works are on hold due to an impending academy order which may affect the scope of works required.</p>
4.	<p><u>Cantell Expansion (Slippage of £0.66M from 2019/20 to 2020/21)</u></p> <p>This project is not within the Councils control as the PFI provider is responsible for carrying out the work. Following a detailed review of the timing of works with the PFI provider some works will now be carried out in 2020/21. The scheme includes considerable internal works to reconfigure classrooms and provide a broader teaching environment, these works cannot be undertaken during term time as they would have adversely impacted the teaching environment.</p>
5.	<p><u>St Georges Expansion (Slippage of £0.58M from 2019/20 to 2020/21)</u></p> <p>The works at St Georges are set to follow-on from a scheme being delivered by the ESFA to avoid clashes of contractors and works within the constricted school site. The timings of the ESFA Scheme have slipped which has impacted on this scheme.</p>
6.	<p><u>Mount Pleasant (Slippage of £0.20M from 2019/20 to 2020/21)</u></p> <p>The installation of CCTV and perimeter fencing at the schools has been deferred to 2020/21 due to a constraint of resources in the contracted out Design Team. Safeguarding issues to be rectified by this scheme still remain and work planning is being carried out in collaboration with the Head.</p>
7.	<p><u>St Georges ESFA (Slippage of £1.00M from 2019/20 to 2020/21)</u></p> <p>Negotiations between the stakeholders of this project have taken longer than expected but an agreement has now been reached. Under the agreement works will now commence in 2020/21.</p>
8.	<p><u>Aspirations, Education & Lifelong Learning - Various Schemes (Slippage of £0.01M from 2019/20 to 2020/21)</u></p>

Appendix 2 – Annex 3

	Minor variances across various schemes within the Aspirations, Children & Lifelong Learning portfolio.
	HEALTHIER & SAFER CITY
9.	<p><u>Warm Homes (Slippage of £0.16M from 2019/20 to 2020/21):</u></p> <p>The Mitie/MPS and SCC Switchon contract was expected to have been signed and sealed in August 2019, allowing work to commence in Q3. However, contract not sealed until December 2019 following clarification work, pushing back commencement by a quarter.</p>
	HOMES & CULTURE
10.	<p><u>Outdoor Sports Centre (Slippage of £0.44M from 2019/20 to 2020/21)</u></p> <p>A project design has been developed and surveys completed. A draft business plan for the site has also been developed which is currently being reviewed by consultants. Further development work is now expected in 2020/21 to progress the scheme to full business case.</p>
11.	<p><u>Homes & Culture - Various Schemes (Slippage of £0.14M from 2019/20 to 2020/21)</u></p> <p>Minor variances across various schemes within the Homes & Culture portfolio.</p>
	LEADER
12.	<p><u>Clean Growth & Development - Various Schemes (Slippage of £0.12M from 2019/20 to 2020/21)</u></p> <p>Minor variances across various schemes within the Clean Growth & Development portfolio.</p>
	PLACE & TRANSPORT
13.	<p><u>Solar Compactor bins (Slippage of £0.85M from 2019/20 to 2020/21)</u></p> <p>Solar compactor bins are delayed due to a legal challenge on the procurement process. This issue has now been resolved, but has resulted in a delay to ordering. The initial 25 bins will be purchased in Feb/Mar 2020, with the remaining bins to be purchased in 2020/21.</p>
14.	<p><u>Itchen Bridge card readers (Slippage of £0.20M from 2019/20 to 2020/21)</u></p> <p>This project commenced in October 2019, high level requirements have since been established and passed to procurement to draw up detailed specifications and commence market testing. No significant expenditure is likely to be incurred until conclusion of procurement process in early 2020/21.</p>
15.	<p><u>Clean Air Zone (Slippage of £0.27M from 2019/20 to 2020/21)</u></p> <p>Implementation of bus lane restrictions have been delayed as a result of the objections during public consultation which need to be resolved. Take up by taxi drivers of trials of Ultra Low Emission Vehicle has also been limited. Alternatives are being identified to improve participation in this trial but that will delay expenditure into the next financial year.</p>

Appendix 2 – Annex 3

16.	<p><u>Cycle Improvements (Slippage of £0.15M from 2019/20 to 2020/21)</u></p> <p>Works on Cycle Network 1 and 5 are now going to be delivered in conjunction with the wider Transforming Cities Fund project in the new financial year. Delaying the work now enables the scope and ambition of the schemes to be increased within the anticipated funding in 2020/21.</p>
17.	<p><u>Other Highways (Slippage of £0.32M from 2019/20 to 2020/21)</u></p> <p>Proposed footways work on Lodge Road has been delayed as the contractors have not yet provided final pricing for the scheme meaning delivery of the project will now be in the new financial year.</p>
18.	<p><u>Highways Improvements Developers (Slippage of £0.15M from 2019/20 to 2020/21)</u></p> <p>Delays to works scheduled at Warren Avenue which are at the design stage with the footway to be slurry sealed in warmer weather; Former Ford Site Wide Lane which is on hold until the completion of works on Stoneham Lane; High Street which is on hold until the completion of the Bargate Development; Upper Deacon Road, Spring Road and High Street which will be carried out in conjunction within the wider Transforming Cities Fund project which commences early next year.</p>
19.	<p><u>Place & Transport Various Schemes (Slippage of £0.20M from 2019/20 to 2020/21)</u></p> <p>Minor variances across various schemes within the Place & Transport portfolio.</p>
RESOURCES	
20.	<p><u>Property Investment Fund (Slippage of £180.00M from 2019/20 to 2020/21)</u></p> <p>Most property investment expected in 2020/21, to enable a formal governance process to be agreed and the identification of appropriate properties to purchase.</p>
21.	<p><u>Civic Centre Upgrade (Slippage of £0.45M from 2019/20 to 2020/21)</u></p> <p>The original work plan and timescales for phase 1 of the Smart Ways of Working (SWOW) project have been delayed by two months due to additional priority work which has arisen. Phase 1 is now due to complete in May 2020.</p>

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Agenda Item 8

DECISION-MAKER:		CABINET COUNCIL	
SUBJECT:		THE MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND CAPITAL PROGRAMME 2020/21 to 2022/23	
DATE OF DECISION:		25 FEBRUARY 2020 (Cabinet) 26 FEBRUARY 2020 (Council)	
REPORT OF:		CABINET MEMBER FOR RESOURCES	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Steve Harrison Stephanie Skivington Madeleine Modha	Tel: 023 8083 4153 023 8083 2692 023 8083 3574
	E-mail:	Steve.Harrison@southampton.gov.uk Stephanie.skivington@southampton.gov.uk Madeleine.Modha@southampton.gov.uk	
DIRECTOR:	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

EXECUTIVE SUMMARY

This report details the revenue budget for 2020/21 and the Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2022/23. It provides detail to inform Council in setting Council Tax and rents for 2020/21.

The report also details the General Fund and Housing Revenue Account (HRA) Capital Strategy and Programme for the period 2019/20 to 2024/25.

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

Appendix 1 The Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2022/23

Appendix 2 The Capital Strategy & General Fund Programme 2019/20 to 2024/25

Appendix 3 The HRA Budget 2020/21 and Capital Programme 2019/20 to 2024/25

RECOMMENDATIONS:

CABINET

Cabinet are recommended to:

General Fund

- | | |
|----|---|
| i) | Note the position on the forecast outturn position for 2019/20 as set out in paragraphs 30 to 33 of Appendix 1. |
|----|---|

ii)	Note the revised Medium Term Financial Strategy 2020/21 to 2022/23 as detailed in paragraphs 72 to 77 of Appendix 1 and Annex 1.1 to Appendix 1.
iii)	Note the aims and objectives of the Medium Term Financial Strategy which will be presented to council for approval on 26 th February 2020 as set out in paragraphs 24 to 26 of Appendix 1.
iv)	Note that formal budget consultation began on 16 th October 2019 and ended on 7 th January 2020. The outcome of the consultation is outlined in paragraphs 37 to 42, with no changes to amounts put forward as savings proposals in October.
v)	Note that the Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.
vi)	Note that the Executive's budget proposals are based on the assumptions detailed within the MTFs and that this includes an increase in the Adult Social Care precept of just under 2.00% and no increase in the general council tax, allowable under general powers to increase council tax without a referendum.
vii)	Accept the award of £0.765M Access Fund Extension grant for 2020/21 as set out in paragraph 43 of Appendix 1.
viii)	To note that the report identifies additional general fund pressures totalling £7.22M in 2020/21, rising to £9.82M in 2022/23, as detailed in paragraphs 47 to 51 of Appendix 1.
ix)	To note that savings proposals totalling £7.61M are included in the 2020/21 General Fund Revenue Budget, rising to £11.42M in 2022/23, as detailed in paragraphs 52 to 55 of Appendix 1.
x)	To note that investment proposals totalling £4.25M are included in the 2020/21 General Fund Revenue Budget, rising to £6.10M in 2022/23, as detailed in paragraphs 56 to 58 of Appendix 1.
xi)	To note that further proposals will need to be considered to address the 2021/22 and future years budget gap.
xii)	Notes and recommends to Council where appropriate, the MTFs and General Fund Revenue Budget changes as set out in Council recommendations i) to xv).

General Fund Capital Programme

xiii)	Notes the revised General Fund Capital Programme, which totals £728.77M (as detailed in paragraphs 5 & 39 of Appendix 2) and the associated use of resources.
xiv)	Notes that a further £320.46M has been added to the General Fund programme, requiring approval to spend, by Cabinet/Council subject to the relevant financial limits. These additions are detailed in paragraphs 9 of Appendix 2 and Annex 2.1.
xv)	Notes the addition of £29.48M to the General Fund capital programme and the request for approval to spend £29.48M as detailed in paragraph 10 of Appendix 2 and Annex 2.1.
xvi)	Notes the removal of schemes from the capital programme totalling £15.68M as set out in paragraph 11 of Appendix 2 and detailed in Annex 2.1.

xvii)	Notes that the capital programme remains fully funded up to 2024/25 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.
xviii)	Notes that a review of the Council's capital strategy has been undertaken as detailed in Annex 2.3.
xix)	Notes that a review of the Council's MRP strategy has been undertaken as detailed in Annex 2.3(a).
xx)	Notes that a review of the Council's investment strategy has been undertaken as detailed in Annex 2.3(b).

Housing Revenue Account

xxi)	To note that, from 1st April 2020, a standard increase be applied to all dwelling rents of 2.7%, as set out in paragraph 10 of Appendix 3, equivalent to an average increase of £2.26 per week in the current average weekly dwelling rent figure of £83.46.
xxii)	To note an increase in a number of weekly service charges, whilst others remain unchanged, as detailed in paragraph 11 of Appendix 3 from 1st April 2020 (including supported accommodation). This approach was previously agreed by Council at its meeting in February 2019.
xxiii)	To note and recommend the Housing Revenue Account Revenue Estimates as set out in Appendix 3.
xxiv)	To note the 40 year Business Plan for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
xxv)	To note that from 2020/21 onwards, following consultation, rents will now be charged on a weekly basis throughout the year, thus reducing the weekly payment and removing the four "rent-free" weeks.
xxvi)	Notes the revised Housing Revenue Account (HRA) Capital Programme, which totals £251.97M (as detailed in paragraph 22 & 31 of Appendix 3) and the associated use of resources.
xxvii)	Notes the addition of £73.71M to the HRA Capital Programme and the request for approval to spend £73.71M as detailed in paragraph 30 of Appendix 3.

COUNCIL

General Fund

i)	Notes the general budget consultation process that was followed as detailed in paragraphs 37 to 42.
ii)	Notes that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals. Further details are contained within the Members Room document 3.

iii)	Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 44 to 47. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members Room, documents 1 and 2.
iv)	Note the position on the forecast outturn position for 2019/20 as set out in paragraphs 30 to 33 of Appendix 1.
v)	Approves the revised Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2022/23 attached as Annex 1.1 to Appendix 1.
vi)	Approves the 2020/21 General Fund Revenue Budget as detailed in Annex 1.1(a) of the MTFS at Annex 1.1 of Appendix 1.
vii)	Notes that the Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.
viii)	Notes that the Executive's budget proposals are based on the assumptions detailed within the MTFS and that this includes an increase in the Adult Social Care precept of just under 2.00% and no increase in the general council tax, allowable under general powers to increase council tax without a referendum.
ix)	Approves additional general fund pressures totalling £7.22M in 2020/21, rising to £9.82M in 2022/23, as detailed in paragraphs 47 to 51 of Appendix 1.
x)	Approves savings proposals totalling £7.61M that are included in the 2020/21 General Fund Revenue Budget, rising to £11.42M in 2022/23, as detailed in paragraphs 52 to 55 of Appendix 1.
xi)	Approves investment proposals totalling £4.25M that are included in the 2020/21 General Fund Revenue Budget, rising to £6.10M in 2022/23, as detailed in paragraphs 56 to 58 of Appendix 1.
xii)	To delegate authority to the Executive Director – Finance & Commercialisation (S151 Officer), following consultation with the Cabinet Member for Resources, to do anything necessary to give effect to the proposals contained in this report and address any funding changes, if any, arising from the final Local Government Finance Settlement once agreed by Parliament. The funding as announced in the final settlement matches that as announced before Christmas in the provisional settlement and no further changes are anticipated.
xiii)	Sets the Band D Council Tax for Southampton City Council at £1,566.18 for 2020/21, the Net Budget Requirement at £190.82M and the Council Tax Requirement for 2020/21 at £102.53M as per Annex 1.2 to Appendix 1.
xiv)	Notes the estimates of precepts on the council tax collection fund for 2020/21 as set out in Annex 1.3 to Appendix 1, as well as the council tax band charges for Southampton City Council and the charges for the Police and Crime Commissioner for Hampshire and the proposed charges for Hampshire Fire and Rescue Authority.
xv)	Delegates authority to the Executive Director – Finance & Commercialisation (S151 Officer) to implement any variation to the overall council tax arising from the final notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.

General Fund Capital Programme		
	xvi)	Approves the revised General Fund Capital Programme, which totals £728.77M (as detailed in paragraphs 5 & 39 of Appendix 2) and the associated use of resources.
	xvii)	Approves additions of £320.46M which has been added to the General Fund programme requiring approval to spend, by Cabinet/Council subject to the relevant financial limits. These additions are detailed in paragraphs 9 of Appendix 2 and annex 2.1.
	xviii)	Approves the addition of £29.48M to the overall capital programme and the request for approval to spend £29.48M as detailed in paragraph 10 of Appendix 2 and Annex 2.1.
	xix)	Approves the removal of schemes from the capital programme totalling £15.68M as set out in paragraphs 11 of Appendix 2 and detailed in Annex 2.1.
	xx)	Notes that the capital programme remains fully funded up to 2024/25 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.
	xxi)	Approves the Council's capital strategy detailed in Annex 2.3.
	xxii)	Approves the Council's MRP strategy detailed in Annex 2.3(a).
	xxiii)	Approves the Council's investment strategy detailed in Annex 2.3(b).
Housing Revenue Account		
	xxiv)	Approves that, from 1st April 2020, a standard increase be applied to all dwelling rents of 2.7%, as set out in paragraph 10 of Appendix 3, equivalent to an average increase of £2.26 per week in the current average weekly dwelling rent figure of £83.46.
	xxv)	To note an increase in a number of weekly service charges, whilst others remain unchanged, as detailed in paragraph 11 of Appendix 3 from 1st April 2020 (including supported accommodation). This approach was previously agreed by Council at its meeting in February 2019.
	xxvi)	Approves the Housing Revenue Account Revenue Estimates as set out in Appendix 3.
	xxvii)	Approves the 40 year Business Plans for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year.
	xxviii)	To note that from 2020/21 onwards, following consultation, rents will now be charged on a weekly basis throughout the year, thus reducing the weekly payment and removing the four "rent-free" weeks.
	xxix)	Approves the revised Housing Revenue Account (HRA) Capital Programme, which totals £251.97M (as detailed in paragraph 22 & 31 of Appendix 3) and the associated use of resources.
	xxx)	Approves the addition of £73.71M to the HRA Capital Programme and the request for approval to spend £73.71M as detailed in paragraph 30 of Appendix 3.

REASONS FOR REPORT RECOMMENDATIONS	
1.	The Council is a large and complex organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial opportunities and challenges and that they make informed decisions. The Council regularly revises its MTFS so that the financial position is clear for budget proposals to be drawn up for the forthcoming year.
2.	The Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. Programme updates are reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme. Major capital projects are undertaken over a number of years so by setting a clear 5 year programme works can be undertaken in timely manner to assist the Council in achieving its aims and priorities, over both the short and medium term.
3.	The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to full Council. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to full Council.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
4.	Alternative options for revenue spending and MTFS assumptions form an integral part of the development of the overall MTFS that will be considered at the council budget setting meeting on 26 th February 2020.
5.	Part of setting the General Fund Budget and Medium Term Financial Strategy, requires a view to be taken on the revenue cost of capital to the Council and proposals have been considered in order to ensure the most appropriate use of capital resources in meeting the council's priorities. The Capital Strategy and an updated Capital Programme are included as Appendix 2 to the report, and the latest position is included in the MTFS Model.
6.	This report sets out the HRA revenue budgets for 2020/21 and the 40 year HRA business plan covering the period 2020/21 to 2059/60. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2020/21.
7.	The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process in the light of the funding available and the overall financial position.
DETAIL (Including consultation carried out)	
	<u>REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY</u>
8.	Details of the Revenue Budget for 2020/21 and the updated Medium Term Financial Strategy 2020/21 to 2022/23 are given in Appendix 1 and annexes thereto.
9.	A report providing an update on the Medium Term Financial Strategy for the period to 2022/23 was presented to Cabinet in October 2019. Appendix 1 provides an update to that report, giving details of the council's financial resources following the 2020/21 local government finance settlement and sets out the final proposals in respect of additional budgetary pressures, savings and investments following refinement of the initial proposals and taking into account feedback from the budget consultation exercise and the latest financial monitoring position.

10.	The position reported in October 2019 showed a balanced budget for 2020/21 and budget gaps for future years of £4.72M and £7.29M for 2021/22 and 2022/23 respectively. The updated position is a balanced budget for 2020/21 and budget gaps of £3.87M and £10.22M for 2021/22 and 2022/23 respectively. A summary of all of the changes since October 2019 is provided in paragraph 73 of Appendix 1.
11.	The budget strikes a balance with council tax by recognising the spending pressures faced in social care, and therefore invests to protect services via the 2% Levy, but also recognises the financial pressures our residents face and does not increase the core council tax. The budget proposals set out in October 2019 were based on a council tax increase of 1.99%. The recommended increase of just under 2.00% remains in line with the assumption in October 2019, however given the flexibility awarded through the local government finance settlement of up to 2% increase in the Adult Social Care Levy (as well as up to 2% increase in the core council tax), the proposed increase will be applied to Adult Social Care to protect this service.
12.	The Medium Term Financial Forecast does not reflect any changes that may arise through the reform of the business rates retention system or implementation of the fair funding review, both of which the Government delayed until 2021/22. These anticipated changes, together with the postponement of the multi-year spending review until later this year, mean there is much uncertainty about funding after 2020/21 and the MTFS will be kept under regular review to assess the impact of these changes as more details are known.
<u>CAPITAL STRATEGY AND CAPITAL PROGRAMME</u>	
13.	Executive Directors and other senior managers have been consulted in preparing the reasons for variations contained in this report. Each addition has been subject to the relevant governance process.
14.	Details of the capital programme for 2019/20 to 2024/25 and the updated Capital Strategy are given in Appendix 2 and annexes thereto.
15.	Appendix 2 highlights the proposed changes to the General Fund capital programme since the last reported monitoring position to Cabinet in February 2019. The net result of the changes is that the programme has increased by £334.26M. Appendix 3 highlights the proposed changes to the HRA capital programme since the last reported monitoring position to Cabinet in February 2019. The net result of the changes is that the programme has increased by £73.71M.
16.	The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next 5 years. The increased investment follows a fairly cautious capital programme in recent years due to economic uncertainty and is linked in part to measures aimed at providing additional income beyond costs generated (such as from commercial property).
17.	Annex 2.3 details the updated capital strategy for approval. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
<u>HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL PROGRAMME</u>	
18.	The HRA records all the income and expenditure associated with the provision and management of council owned homes in the City. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. Further information can be found in Appendix 3 on the HRA revenue budget 2020/21 and capital programme. The proposals include any amendments

	needed, where necessary, in accordance with the decision made on two year service charge levels at the Council meeting in February last year, relating to general service charges and supported accommodation as well as HRA rents.
	<u>STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
19.	<p>There are a number of major sources of change and uncertainty arising from the external environment, which may impact on funding. These include:</p> <ul style="list-style-type: none"> • The economic effects, whether positive or negative, from leaving the European Union on overall public finances and the resources available for the next Spending Review. • The Government's Fair Funding Review (FFR) of the relative spending need of all local authorities will influence the allocation of resources between authorities. • The Government's implementation of the 75% business rate retention share for councils, up from the current 50% system. Though this should be neutral nationally, there will be an impact from the expected 'reset' of business rates whereby baseline funding levels will be re-established. This means a potential risk of a loss of the business rate growth the authority has benefitted from since 2013. • Both the Fair Funding Review and the increase to 75% allocation from business rate retention are expected to be implemented for 2021/22. Though the increased funding allocation from business rates provides an opportunity to benefit from future growth in business rates, it increases reliance on a volatile income source (business rates) which varies from year-to-year due to the economic cycle rather than a local council's need to spend. • Repeated delay of the promised Green Paper on adult social care to place the service on a more sustainable footing. Assumptions have necessarily been made over the continuation of a significant degree of grant support to local authorities. • The implications of the Spending Review, expected later in the year, and which sets the national spending total for local government funding. • The adequacy of the provision made for inflationary costs, pay awards and also the potential for increases in interest rates which would impact on borrowing costs. The outlook for inflation is that it will remain low over the medium term, per the most recent Bank of England projections, and interest rate assumptions are informed by the independent advice from our Treasury management advisors. These areas will be kept under regular review for any potential adverse impact. • Anything arising from the expected budget announcement by the Chancellor on 11 March.
20.	The authority will continue to keep its MTFs under review given the high degree of uncertainty arising from the above matters. Detailed monitoring and considering the mitigation available forms a part of the quarterly in-year budget monitoring evaluation which is reported to Cabinet.
21.	<p>Section 25 of the Local Government Act 2003 requires each Chief Financial Officer to report to their authority about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax.</p> <p>Each authority is required to consider their Chief Financial Officer's report when setting the level of council tax.</p>

22.	The financial position and pressures experienced in 2019/20 have been taken into account, which included during the year a rebasing of budgets to promote a more accurate estimation of the demand faced by service budgets. As reported to Cabinet on 25 th February 2020, at the end of quarter 3 the financial position was that the council's net General Fund position is projected as balanced, though at portfolio level there is an adverse position (overspend), strongly influenced by demand pressure across social care, offset by a favourable variance in non-portfolio spending. This has therefore been taken into account through the allocation in each year of the MTFs of an additional amount into reserves (£6.0M) for social care.
23.	The general fund balance is planned to remain at its current level (£10.07M) and safeguards against unexpected incidents (e.g. major flooding) and also potential overspending. At this level, it is regarded as an adequate minimum level.
24.	<p>By the end of 2019/20, reserves are expected to be £67.3M, However, the sum available when taking future expected commitments into account is around £34.7M. Of this £17.4M will be used as part of the strategy adopted to support the budget which includes helping to 'smooth' the savings needed over the next 2-3 financial years, allowing longer term plans to be made, and also offsetting a reduction in business rates compared with budget assumptions made this time last year.</p> <p>By the end of the three year planning horizon the unallocated (available) reserves are expected to be around £17.3M, without further allocation or drawdown. This sum will provide a safeguard against the risks identified above.</p>
25.	Against a challenging financial background, it will therefore be crucial that reserves, both earmarked and general, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget and safeguard against risks. Reserve use will be carefully monitored and the strategy on their use kept under review during the year.
26.	On savings, the 2020/21 budget is balanced via £7.6M of savings assumed in budgets, with £4.1M arising from income generation proposals. Services have been actively working on their saving proposals for much of the year, and where not achieved in-year during 2020/21 the assumption will be mitigations can be found until the savings are realised, or equivalent sums found. The Council agreed in November 2019 to resume property investment, with an additional £200M made available, which as well as benefitting local residents economically and socially is also estimated to contribute to reducing the budget shortfall. Significant monitoring and governance safeguards have been put in place to ensure investments are made which are prudent and the controls in place comply with the recent CIPFA guidelines which promote management of risks.
27.	In the context of the overall net budget of £190.8M, and the reserves and contingencies available the savings plans should not present an excessive financial risk to the authority.
28.	Given the service pressures faced, as well as the other risks identified the budget contains a contingency level within centrally held funds of around £7M, which provides for added confidence when dealing with volatile budgets and uncertainty.
29.	Financial procedures to monitor and report on the forecast position versus the budget are well established and occurs frequently to both senior management and formally to members (via a quarterly Cabinet report). Robust processes will be needed to ensure any risks of overspending are identified and mitigations put in place, but there are well established mechanisms to promote this which have been enhanced by the business partnering of services approach adopted by Finance.
30.	For the reasons listed in this section, I am therefore content as the Council Chief Financial Officer that the Council is operating prudently and with sufficient financial resilience to deal

	with the risks highlighted within the budget report (John Harrison Executive Director – Finance and Commercialisation).
	<u>CIPFA Resilience Index</u>
31.	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced a resilience index, designed to support the local government sector as it faces continued financial challenge. It has a series of 13 measures that compare local authorities with each other across issues such as level of and movement in reserves, level of gross debt and proportion of budget spent in areas experiencing the most demand pressure (Adults and Children Services) and therefore most likely to be at risk of overspending. It applies current and past data rather than future estimates. Key headlines from this index, when comparing SCC with other unitary councils, are:</p> <ul style="list-style-type: none"> • SCC is low or very low risk on level of reserves and change in reserves and the reserves sustainability measures. Careful management of reserves and our General Fund balance is part of the risk management process, ensuring resources are available to cater for unexpected costs pressures or savings not delivered on time or to scale. • On some of the measures which look at our aspects of expenditure, we come out as a higher risk. For example, on the relative proportion we spend in Adult Social Care – which is led by demand and statutory requirements to meet client needs. This isn't a surprise, and a key part of budget planning is ensuring we have a robust budget to cater for rising demand pressure and plans to also manage and mitigate demand pressures.
32.	On none of the measures does SCC come out as an 'outlier' at the top end of the risk scale.
	<u>CIPFA Financial Management Code</u>
33.	CIPFA has also published a new Financial Management Code for authorities to adhere to. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities. The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, this code requires that a local authority demonstrates that its processes satisfy the principles of good financial management.
34.	CIPFA considers that an implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code.
35.	The first full year of compliance with the FM Code will therefore be 2021/22, though early adoption is encouraged.
36.	More will be said about the code during 2020/21 as we approach the expected full implementation date of 2021/22.
	<u>BUDGET CONSULTATION</u>
37.	<p>The Cabinet's draft budget proposals for 2020/21 were set out in the Medium Term Financial Strategy report of 15th October 2019. The Budget consultation ran from 16th October 2019 to 7th January 2020. There were a total of 633 respondents to the consultation. This year the proposals in the questionnaire were arranged over 5 sections:</p> <ul style="list-style-type: none"> • Efficiencies • Investment • Priorities

	<ul style="list-style-type: none"> • Savings • Overall budget
38.	Any proposals put forward under ‘savings’ that could impact the way that residents or customers review or experience a service of the council were subject to an Equality and Safety Impact Assessment (ESIA). A Cumulative Impact Assessment was also developed in order to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on community safety, poverty and health and wellbeing. These impact assessments were published as part of the Budget consultation.
39.	In addition to the public consultation process, the unions have also been consulted on the budget proposals contained within this report.
	<u>Issues raised in the consultation feedback</u>
40.	<p>Following careful consideration of the feedback received through the consultation, the ESIA's were reviewed and updated as follows:</p> <p>a) Making best use of the full range of services that are currently available to support people to live independently in a community setting.</p> <ul style="list-style-type: none"> • Feedback identified concerns that some people may not receive the full support they need within a community setting. The ESIA has been updated to clarify that all customers will continue to have their assessed care needs met in line with the Care Act 2014, and community based alternatives to home care will only be offered where safe and appropriate to do so. • Feedback also identified concerns about potential impacts on spouses or civil partners. The ESIA has been used to reflect this risk and reflect mitigations that will be put in place. <p>b) Expanding the successful re-ablement service so more people benefit from short term, intensive support.</p> <ul style="list-style-type: none"> • Feedback identified concerns that some people may be pushed towards independence ‘too quickly’ and their needs may not be met through the re-ablement service. The ESIA has been updated to clarify that clients will continue to receive the care and support their need to meet their needs in line with the Care Act 2014, and that client’s wishes and preferences will be taken into consideration. <p>c) The provision of better and earlier advice and information on adult social care and community support etc. to meet Care Act duties on promoting wellbeing and supporting independence.</p> <ul style="list-style-type: none"> • Feedback identified concerns that those for whom English is not a first language may not be able to engage with online and signposted support. The ESIA has been updated to reflect the risk in relation to race as a Protected Characteristic and outline mitigations that will be put in place.

41.	<p>In the following areas, following careful consideration, no change was recommended to the ESIA's:</p> <ul style="list-style-type: none"> a) Increasing availability of support and carrying out assessments more quickly to help people to return home after a short stay in residential care on discharge from hospital. b) Occupational Therapy (OT) reviews to identify where equipment can be used to enable care to be provided in the home by one carer. c) Increased availability of housing with care options ('extra care') across the city. d) Ensuring direct payments are being used in accordance with care and support plans to meet care needs. e) Developing a 'Level 4' Specialist Foster Care scheme in Southampton.
	<p><u>Summary of consultation feedback</u></p>
42.	<p>A summary of the consultation feedback is given in Members room document 3. The feedback from the consultation with residents and stakeholders has not led to recommendations that Cabinet change or remove any Budget savings proposals. As outlined above, feedback identified impacts to particular Protected Characteristic groups which had not previously been identified. These impacts were carefully considered and relevant mitigations will be put in place as outlined in the ESIA's. Other feedback demonstrated that clarification was required in the documentation to reassure residents that all assessed needs will continue to be met under the Care Act 2014, and the ESIA's have been updated to reflect this.</p>
	<p><u>STAFFING IMPLICATIONS</u></p>
43.	<p>The Executive's budget proposals are expected to lead to an overall investment in staffing within the council. Where staffing levels are impacted consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.</p>
	<p><u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u></p>
44.	<p>The Equality Duty is a duty on public bodies which came into force on 5th April 2011. The Council will have due regard to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.</p>
45.	<p>While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, Council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.</p>
46.	<p>Updated Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIA's are available in Members' Rooms.</p>
47.	<p>The individual ESIA's have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile,</p>

	service user and non-user information and staffing profiles as well as the proportion of the Council's budget that is currently spent on targeted groups or communities. The cumulative ESIA is available to view in the Members Rooms.
<u>RESOURCE IMPLICATIONS</u>	
<u>Capital/Revenue</u>	
48.	The capital and revenue implications are fully detailed within the report.
<u>Property/Other</u>	
49.	There are no specific property implications arising from this report other than the schemes already referred to within Appendix 2 and Appendix 3 of the report.
<u>LEGAL IMPLICATIONS</u>	
50.	It is important that Members are fully aware of the full legal implications of the entire budget and council tax making process, when they consider any aspect of setting the council's Budget. Formal and full advice to all Members of the council protects Members, both in their official and personal capacity, as well as the council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.
51.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
52.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
53.	The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 th March 2020 could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
54.	There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
55.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

56.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to council at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the budget and council tax setting report to full council in February.
57.	Of particular importance to the council tax setting process and budget meeting of the full council is the council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the budget of the city council is determined, and the council tax is set. In addition, Members need to be aware that these rules provide a route whereby the Leader may require the full council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
58.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 4, which Members are directed to have regard to in reaching their decision.
59.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal. The proposals within this report relating to Housing Service Charges are subject to additional legal considerations set out below.
60.	In relation to the Housing Revenue Account Service charges, the Council can make a charge for services it provides to council tenants in addition to a charge for rent pursuant to the Housing Act 1985 and also in compliance with paragraph 2 of the Council's standard tenancy agreement. The Council is permitted to introduce new charges and vary existing charges so long as it follows the procedure set out in the Housing Act 1985 and complies with the Rent Standard and Guidance produced by Homes England. In particular any service charges must reasonable transparent and are limited to covering the actual cost for providing the services.

Other Legal Implications

61.	The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the council's Constitution. As part of the review process by the Council's Management Team, the proposals contained in this report have been checked from a legal viewpoint.
62.	<p>Local Authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 the right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life.</p> <p>In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty.</p> <p>The duty provides that:</p> <p>(1) A public authority must, in the exercise of its functions, have due regard to the need to—</p> <p>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</p> <p>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;</p> <p>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</p>

	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</p> <p>(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;</p> <p>(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.</p> <p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) tackle prejudice, and</p> <p>(b) promote understanding.</p> <p>The relevant protected characteristics are—</p> <p>age;</p> <p>disability;</p> <p>gender reassignment;</p> <p>pregnancy and maternity;</p> <p>race;</p> <p>religion or belief;</p> <p>sex;</p> <p>sexual orientation.</p> <p>Details of how the Council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISA's which Members must have regard to in reaching their decision.</p>
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RISK MANAGEMENT IMPLICATIONS

63.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis and forms part of the Financial Monitoring Report included elsewhere on this agenda.
64.	Details of the risk assessment of the budget are given with the Chief Financial Officer's statement on the robustness of the budget estimates at paragraphs 19 to 30.

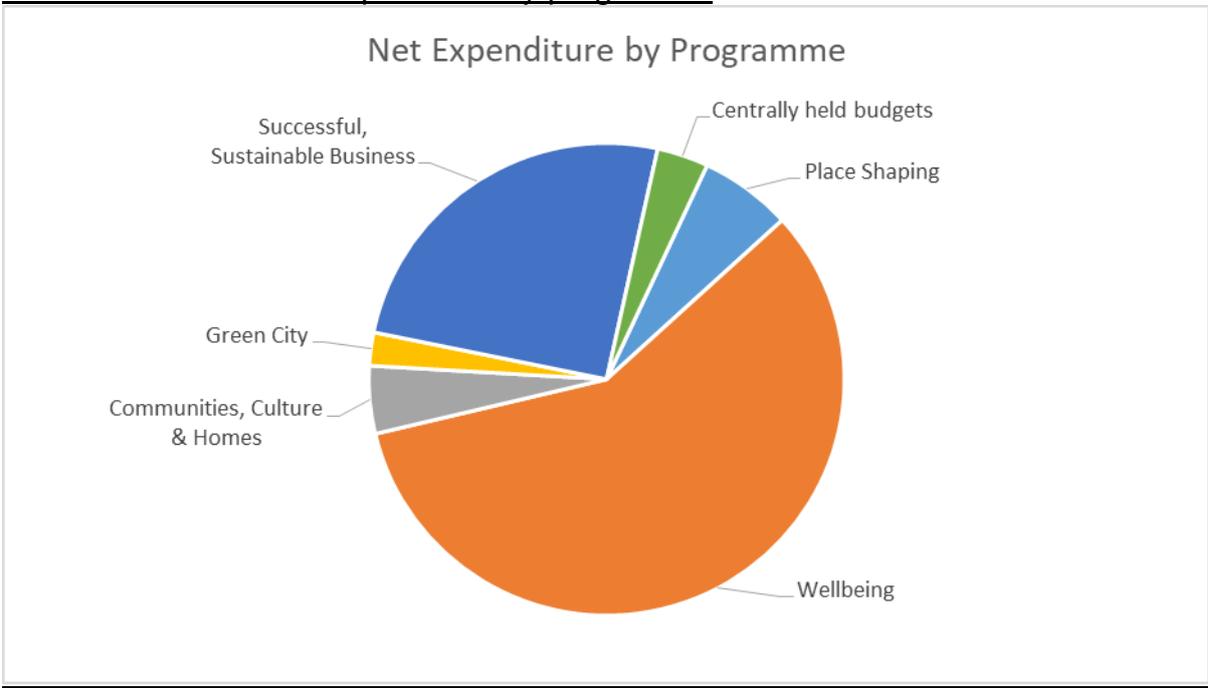
POLICY FRAMEWORK IMPLICATIONS

65.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a budget and council tax for 2020/21 must be proposed by the Cabinet for consideration by the full council under the Constitution. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.
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KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	All	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	The Revenue Budget 2020/21 and MTFS 2020/21 to 2022/23	
2.	The Capital Programme and Strategy 2019/20 to 2024/25	
3.	HRA Revenue Budget 2020/21 and Capital Programme 2019/20 to 2024/25	
4.	Statutory Power to Undertake Proposals in the Report	
Documents In Members' Rooms		
1.	Updated Equality and Safety Impact Assessments (ESIAs)	
2.	Cumulative Impact Assessment	
3.	Budget Consultation Feedback Report	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	Medium Term Financial Strategy to 2023/24 and associated matters	

THE REVENUE BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2022/23	
<u>INTRODUCTION</u>	
1.	This report sets out how the budget for 2020/21 will be balanced whilst supporting the delivery of the key priorities of the authority.
2.	This budget provides value for money with public resources and forms part of the approach to build financial stability over the medium to long term. The report also provides an update on the Medium Term Financial Strategy (MTFS) for the period to 2022/23. The proposed net revenue budget for 2020/21 is £190.8M, compared with the current year of £189.6M.
3.	<p>The settlement confirmed that the Adult Social Care (ASC) levy continues to apply, with the flexibility to raise the council tax by up to 2% for 2020/21 for this purpose. The authority proposes to protect Adults' Social Care services via providing additional funds, through a rise of just under 2% for the Adults' Social Care precept element of the council tax, for the benefit of the increasing number of residents who rely on this service.</p> <p>The Government has also provided some additional funds for Adults and Children's social care services, via £1Bn nationally in specific grant and via the improved Better Care Fund (iBCF), but adequate funding for all social care (both Adults and Children's) continues to be a major concern over the longer term.</p>
4.	The Council wishes to protect services for the vulnerable by raising funds which will be specifically allocated to Adults Social Care via the levy of just under 2%, but at the same time is mindful of the financial pressures many local residents face. For 2020/21, therefore, the council is foregoing a rise in its 'core' council tax level, which could be set at up to 2% without a referendum being required.
5.	The Council is required to prepare a separate Capital Strategy, setting out a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. Details regarding the Council's Capital Strategy and Capital Programme are set out in Appendices 2 and 3 to the budget report. The revenue implications of the capital programme are built into the General Fund Medium Term Financial Forecast and the Housing Revenue Account Business Plan.
<u>STRATEGIC CONTEXT</u>	
<u>Spending Round 2019</u>	
6.	With 2019/20 marking the final year of the 2015 Comprehensive Spending Review a new set of medium term spending proposals were expected this year. Instead, the government published a single year Spending Round in early September 2019, setting out public expenditure plans for the 2020/21 financial year.
7.	The main feature of the Spending Round was the announcement of additional funding for social care, alongside continuation of existing adult social care grants and proposals to consult on a 2% social care precept.
8.	Changes to the local government finance system arising from the Fair Funding Review and reforms to the Business Rates Retention Scheme were delayed by a year to 2021/22.
9.	Further details of the Spending Round are provided in section 1.4.1 of the Medium Term Financial Strategy (Annex 1.1).

	<u>Provisional Local Government Finance Settlement</u>
10.	The 2020/21 provisional settlement was announced on 20 th December 2019, being delayed due to the General Election. It largely confirmed the announcements in the Spending Round and the settlement technical consultation that followed in October 2019. The figures were confirmed on 6 th February 2020 when the final settlement was published, subject to a final vote by MPs once debated in Parliament. Funding for Southampton in the final settlement as published on 6 th February matches the provisional settlement.
11.	As well as the extra social care funding, the settlement confirmed the continuation of New Homes Bonus (NHB) into 2020/21, with proposals for a Spring 2020 consultation on a new targeted approach to rewarding housing growth for future years. Funding arising from the settlement was therefore broadly as expected, but with an additional £0.2M from the NHB compared with the budget update reported to Cabinet in October.
12.	Further details of the provisional settlement are provided in section 1.4.2 of the Medium Term Financial Strategy (Annex 1.1).
	<u>Other national issues affecting the MTFS</u>
13.	The Queen’s Speech at the State Opening of Parliament on 19 th December 2019 announced a number of measures that will impact on the City Council and its finances.
14.	The government's priority of exiting the European Union and negotiating a free trade agreement with the EU is likely to have a significant impact on local government and on both UK and EU citizens who live and work in the UK.
15.	Other proposals put forward in the Queen’s Speech that are likely to have financial consequences for the Council include: <ul style="list-style-type: none"> • Providing extra funding for social care and seeking cross-party consensus for long-term reform of adult social care • Modernising and reforming the Mental Health Act • Increasing levels of education funding per pupil • Introducing a Building Safety Bill and measures to implement recommendations from the first phase on the Grenfell Tower Public Inquiry • Increasing the National Living Wage • Serious Violence Bill – placing a statutory duty on public bodies to work together to reduce levels of serious violence • Re-introducing the Domestic Abuse Bill • Environment Bill – enshrining in law that the UK should be net carbon neutral by 2050 • Reforming business rates (with specific reference to high streets), bringing forward the next rates revaluation and making future revaluations more frequent • Increasing local powers to tackle air pollution
	<u>LOCAL CONTEXT</u>
	<u>Council Priorities</u>
16.	The revenue budget and MTFS are integral to the delivery of the City Council Strategy. The Strategy sets out the Council’s vision and has five themes to deliver the strategic goals of a greener, fairer, healthier City, which are: <ul style="list-style-type: none"> • Place Shaping • Wellbeing • Communities, Culture, & Homes • Green City

	<ul style="list-style-type: none"> • Successful, Sustainable Business 														
17.	The Council uses a programme area based business planning approach to ensure resources are directed towards agreed priorities. Chart 1 below shows the £189.6M revised net revenue expenditure budget for 2019/20 broken down over programmes.														
18.	<p><u>Chart 1 – Net revenue expenditure by programme</u></p>  <table border="1"> <caption>Net Expenditure by Programme</caption> <thead> <tr> <th>Programme</th> <th>Approximate Expenditure</th> </tr> </thead> <tbody> <tr> <td>Wellbeing</td> <td>£85.0M</td> </tr> <tr> <td>Successful, Sustainable Business</td> <td>£45.0M</td> </tr> <tr> <td>Centrally held budgets</td> <td>£10.0M</td> </tr> <tr> <td>Place Shaping</td> <td>£15.0M</td> </tr> <tr> <td>Green City</td> <td>£5.0M</td> </tr> <tr> <td>Communities, Culture & Homes</td> <td>£10.0M</td> </tr> </tbody> </table>	Programme	Approximate Expenditure	Wellbeing	£85.0M	Successful, Sustainable Business	£45.0M	Centrally held budgets	£10.0M	Place Shaping	£15.0M	Green City	£5.0M	Communities, Culture & Homes	£10.0M
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<u>Government Funding Reductions</u>															
19.	The settlement funding assessment (SFA) is the Government’s calculation of funding required by a local authority after allowing for income generated from council tax.														
20.	The Government’s austerity measures have resulted in a significant reduction in the Council’s settlement funding assessment over recent years. Between 2013/14 (when the current local government finance system was introduced) and 2019/20, the Council’s SFA reduced by almost a half from £121.0M to £65.3M.														
21.	For 2020/21 the SFA has been given an inflationary uplift in the local government finance settlement, however this only equates to a £1.0M increase compared to the £55.7M reduction over the previous 6 years.														
22.	Further details are provided in section 2.1.1 of the Medium Term Financial Strategy (Annex 1.1).														
<u>Cumulative Budget Reductions</u>															
23.	Southampton City Council has included agreed budget reductions including cuts worth over £151M in its budget from 2012/13 to 2019/20 and including any step-up in amounts for future years, which has been a necessary part of achieving a balanced budget. More details are included in section 2.1.2 of the Medium Term Financial Strategy (Annex 1.1).														
<u>MEDIUM TERM FINANCIAL STRATEGY AND GENERAL FUND BUDGET</u>															
24.	The Medium Term Financial Strategy (MTFS) provides a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council’s priorities.														
25.	There are 6 key aims of the Strategy: <ul style="list-style-type: none"> • To provide financial parameters within which budget and service planning should take place; 														

	<ul style="list-style-type: none"> • To ensure the Council sets a balanced budget; • To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability; • To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area; • To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and • To ensure that the Council's long term financial health and viability remain sound. 																																				
26.	Given the uncertainty of public expenditure proposals and funding allocations beyond 2020/21 the MTFS only goes up to 2022/23, however the authority continues to plan around a timeline of up to 2025.																																				
	<u>MTFS Update October 2019</u>																																				
27.	A report providing an update on the Medium Term Financial Strategy for the period to 2022/23 was presented to Cabinet in October 2019.																																				
28.	The report set out proposals to balance the budget in 2020/21 and reduce the forecast 3-year future financial challenges from nearly £33M to £12M in total. The report is available at http://www.southampton.gov.uk/modernGov/documents/s42622/MTFS%20Update%20FINAL.pdf																																				
29.	A summary of the proposals put forward in October is provided in Table 1 below.																																				
	<p><u>Table 1 – General Fund Summary at October 2019</u></p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Gap - February 2019</td> <td>9.5</td> <td>11.8</td> <td>11.6</td> </tr> <tr> <td>Pressures and Mitigations</td> <td>6.2</td> <td>6.2</td> <td>8.5</td> </tr> <tr> <td>Developments/Investment</td> <td>3.8</td> <td>4.3</td> <td>5.9</td> </tr> <tr> <td>Savings Proposals</td> <td>-7.8</td> <td>-10.3</td> <td>-11.4</td> </tr> <tr> <td>Reduced business rate growth</td> <td>4.5</td> <td>4.5</td> <td>4.5</td> </tr> <tr> <td>Spending Round 2019/ future grant assumptions</td> <td>-9.9</td> <td>-7.0</td> <td>-7.0</td> </tr> <tr> <td>Use of reserves</td> <td>-6.3</td> <td>-4.8</td> <td>-4.8</td> </tr> <tr> <td>Amended Budget Gap – October 2019</td> <td>0.0</td> <td>4.7</td> <td>7.3</td> </tr> </tbody> </table>		2020/21 £M	2021/22 £M	2022/23 £M	Budget Gap - February 2019	9.5	11.8	11.6	Pressures and Mitigations	6.2	6.2	8.5	Developments/Investment	3.8	4.3	5.9	Savings Proposals	-7.8	-10.3	-11.4	Reduced business rate growth	4.5	4.5	4.5	Spending Round 2019/ future grant assumptions	-9.9	-7.0	-7.0	Use of reserves	-6.3	-4.8	-4.8	Amended Budget Gap – October 2019	0.0	4.7	7.3
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	<u>2019/20 Forecast Outturn</u>																																				
30.	The current forecast spending against the Council's net revenue General Fund budget of £189.6M is projected as an adverse position in portfolios (overspend), offset by a favourable variance on non-portfolio expenditure leaving an overall balanced position.																																				
31.	Nearly all of the portfolio overspend relates to the Aspiration, Children & Lifelong Learning portfolio, as reported in the monitoring report to the 25 th February 2020 Cabinet.																																				
32.	Further details on the forecast outturn position for 2019/20 are included within the report on the Financial Monitoring for the period to the end of December 2019 to be considered by Cabinet at its meeting on the 25 th February 2020.																																				

33.	The latest position for 2019/20 has been taken into consideration in updating the Medium Term Financial Strategy.
34.	<u>Updated Medium Term Forecast</u>
35.	Since the Medium Term Financial Strategy was presented to Cabinet in October 2019 it has been reviewed and updated in the light of funding notifications, the forecast outturn for 2019/20 and other known changes. The following sections provide an update on the Council's resources, together with updated budget proposals.
	<u>Council Resources</u>
	<u>Council Tax</u>
36.	The proposed budget makes no increase for the 'core' council tax level for 2020/21. However, an increase of just under 2% is proposed for 2020/21 in relation to the Adults Social Care levy, with the funds generated earmarked for use in the Adults Social Care budget. This takes the overall charge for the Southampton City Council element of the council tax from £1,535.52 to £1,566.18 for a Band D household. This is the equivalent of an increase of 59 pence per week. The full calculation is set out in Annex 1.2, which shows the council tax requirement for 2020/21 is £102.5M. Additional charges will be made by the Police and Fire authorities as set out in Annex 1.3. The Police and Crime Commissioner (PCC) confirmed their increase on 12th February, but the Fire Authority may not approve their increase until after 26 th February 2020. The budget report therefore requests a delegation of authority to the S151 Officer to implement any variation to the overall level of Council Tax arising from the final, formal notification of the Hampshire Fire and Rescue Authority precept and the Police and Crime Commissioner for Hampshire precept.
37.	The tax base has been calculated at 65,468 (Band D equivalents) for 2020/21, which represents an increase of 0.8% on the tax base applied in 2019/20 (and worth around £0.8M in additional council tax).
	<u>Business Rates</u>
38.	Under the Business Rates Retention Scheme the Council will retain 49% of the business rates collected locally, with 1% going to the Hampshire Fire & Rescue Authority and 50% to Central Government. The Council's estimated share of business rates income for 2020/21 is £51.9M.
39.	The business rates income estimates included in the MTFs assume some business rates growth, based on an assessment of new developments that are already in the pipeline. A cautious approach has been taken, with the following developments not yet factored in to growth estimates: <ul style="list-style-type: none"> • Bargate • Frobisher House • Mayflower Quarter (former Toys R Us site)
40.	<u>Business Rates Pilot</u> During 2019/20 Southampton City Council formed part of the Solent business rate pilot, along with Portsmouth City Council and the Isle of Wight Council. The benefit of participation in the pilot is a greater share of the growth in business rates is retained locally,

	75% rather than the normal 50%. The pilot comes to an end on 31 March 2020, but the estimated financial gain has been included in the budget at £1.7M in 2020/21 and £3.3M in 2021/22. This will only be confirmed at year end.																
	<u>Government Grants</u>																
41.	<u>Revenue Support Grant</u> Following years of reductions due to austerity measures, Revenue Support Grant (RSG) for 2020/21 has seen an inflationary uplift to £11.0M. However, this compares with an RSG allocation of £72.7M when the current funding system was first introduced in 2013/14.																
42.	<u>New Homes Bonus</u> The Council's New Homes Bonus allocation for 2020/21 is £4.1M. The MTFs assumes that legacy payments for grant allocations in previous years from Government will continue, pending a consultation on a new approach to rewarding housing growth.																
43.	The Council has been successful in its bid for Access Fund Extension and has been awarded a grant of £0.765M for 2020/21. The Cabinet is recommended to accept this award of external funding.																
44.	Further details on government grants is provided in section 2.2.3 of the Medium Term Financial Strategy (Annex 1.1) and a schedule of key grants received by the Council is included at Annex 1.4.																
45.	Chart 2 below shows how the Council's 2020/21 Net General Fund Budget of £190.8M is funded from council tax, business rates and government grants.																
46.	<p><u>Chart 2 Funding of 2020/21 Net General Fund Budget</u></p> <table border="1"> <caption>Funding of Net General Fund Budget</caption> <thead> <tr> <th>Funding Source</th> <th>Estimated Amount</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td>£100.0M</td> </tr> <tr> <td>Business Rates</td> <td>£60.0M</td> </tr> <tr> <td>S31 Business Rates Grants</td> <td>£10.0M</td> </tr> <tr> <td>Revenue Support Grant</td> <td>£11.0M</td> </tr> <tr> <td>Top-Up Grant</td> <td>£2.0M</td> </tr> <tr> <td>New Homes Bonus</td> <td>£4.1M</td> </tr> <tr> <td>Other Non-Specific Government Grants</td> <td>£3.7M</td> </tr> </tbody> </table>	Funding Source	Estimated Amount	Council Tax	£100.0M	Business Rates	£60.0M	S31 Business Rates Grants	£10.0M	Revenue Support Grant	£11.0M	Top-Up Grant	£2.0M	New Homes Bonus	£4.1M	Other Non-Specific Government Grants	£3.7M
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47.	The Medium Term Financial Strategy report to Cabinet in October 2019 set out the results of an exercise to rebase the budget. The overall impact was cost neutral in 2019/20, however additional cost pressures in future years were identified.																

48.	Table 2 below sets out the net amount required to be added to the budget to meet projected expenditure pressures, including those identified through the rebasing exercise. Where budget is no longer needed for some activities this has been released to offset pressures elsewhere, hence the table shows budget reductions for some programmes.																																
49.	<p>Table 2 – Summary of Budget Pressures & Mitigations</p> <table border="1"> <thead> <tr> <th>Programme</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Place Shaping</td> <td>(1.00)</td> <td>(1.00)</td> <td>(1.00)</td> </tr> <tr> <td>Wellbeing</td> <td>10.22</td> <td>10.12</td> <td>12.02</td> </tr> <tr> <td>Communities, Culture & Homes</td> <td>0.18</td> <td>0.18</td> <td>0.18</td> </tr> <tr> <td>Green City</td> <td>(0.23)</td> <td>(0.23)</td> <td>(0.23)</td> </tr> <tr> <td>Successful, Sustainable Business</td> <td>0.63</td> <td>0.48</td> <td>0.41</td> </tr> <tr> <td>Centrally Held Budgets</td> <td>(2.59)</td> <td>(2.25)</td> <td>(1.56)</td> </tr> <tr> <td>Total Pressures</td> <td>7.22</td> <td>7.31</td> <td>9.82</td> </tr> </tbody> </table>	Programme	2020/21 £M	2021/22 £M	2022/23 £M	Place Shaping	(1.00)	(1.00)	(1.00)	Wellbeing	10.22	10.12	12.02	Communities, Culture & Homes	0.18	0.18	0.18	Green City	(0.23)	(0.23)	(0.23)	Successful, Sustainable Business	0.63	0.48	0.41	Centrally Held Budgets	(2.59)	(2.25)	(1.56)	Total Pressures	7.22	7.31	9.82
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50.	<p>Wellbeing</p> <p>The majority of the pressures recognised for wellbeing relate to Adults Social Care. Pressures largely stem from increasing client numbers from a growing elderly population and rising contract costs.</p> <p>Pressures on the Children’s and Adults Social Care budget have been recognised during 2019/20 through the budget rebasing exercise. Provision for additional demand in future years has been made by provision of £6M in the 2020/21 budget covering social care budget pressures – see paragraph 63 below.</p>																																
51.	Details of the final budget pressures are included at Annex 1.5.																																
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52.	<p>Savings proposals totalling £7.8M for 2020/21, with £10.3M in 2021/22 and £11.4M in 2022/23 were published for consultation as part of the budget update to Cabinet in October 2019. Full details can be found in the appendix to that report here:</p> <p>http://www.southampton.gov.uk/modernGov/documents/s42630/Copy%20of%20Appendix%203%20Savings.pdf</p>																																
53.	<p>After ten years of austerity with public finances, it is increasingly clear that local councils will need to adapt their savings strategies to continue to balance their budgets. Whilst efficiency measures will continue to be pursued, such as staff restructures and more effective procurement, raising additional income and being innovative with services are increasingly important. Income generation measures are therefore a crucial component of covering budget shortfalls and work will continue in this area as a key focus for the council to generate resources to both address its budget pressures and invest in its services.</p>																																
54.	<p>Further work has been on-going to refine the savings proposals published in October 2019. Table 3 below gives a summary of the updated position, with details of the final savings proposals included at Annex 1.6.</p>																																

55.	<p>Table 3 – Summary of Savings Proposals</p> <table border="1" data-bbox="220 241 1361 589"> <thead> <tr> <th>Programme</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Place Shaping</td> <td>(0.04)</td> <td>(0.04)</td> <td>(0.04)</td> </tr> <tr> <td>Wellbeing</td> <td>(1.85)</td> <td>(3.25)</td> <td>(4.30)</td> </tr> <tr> <td>Communities, Culture & Homes</td> <td>(0.15)</td> <td>(0.15)</td> <td>(0.15)</td> </tr> <tr> <td>Green City</td> <td>0.00</td> <td>(0.01)</td> <td>(0.01)</td> </tr> <tr> <td>Successful, Sustainable Business</td> <td>(5.30)</td> <td>(6.07)</td> <td>(5.84)</td> </tr> <tr> <td>Centrally Held Budgets</td> <td>(0.27)</td> <td>(1.09)</td> <td>(1.09)</td> </tr> <tr> <td>Total Savings</td> <td>(7.61)</td> <td>(10.61)</td> <td>(11.42)</td> </tr> </tbody> </table> <p>The Property Investment Fund saving of £2.75M is shown net in the above table within Successful, Sustainable Business. The anticipated income from the proposal is £6.60M in 2020/21 and £9.97M thereafter, offset by capital financing costs of £3.85M in 2020/21 and £7.22M in future years.</p>	Programme	2020/21 £M	2021/22 £M	2022/23 £M	Place Shaping	(0.04)	(0.04)	(0.04)	Wellbeing	(1.85)	(3.25)	(4.30)	Communities, Culture & Homes	(0.15)	(0.15)	(0.15)	Green City	0.00	(0.01)	(0.01)	Successful, Sustainable Business	(5.30)	(6.07)	(5.84)	Centrally Held Budgets	(0.27)	(1.09)	(1.09)	Total Savings	(7.61)	(10.61)	(11.42)
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59.	<p><u>Inflation</u></p> <p>The total amount allocated from the central inflationary pressures budget for 2020/21 is £4.4M. This comprises:</p> <ul style="list-style-type: none"> • £1.9M for pay awards (assumed at 2%) • £1.6M for increase in employer’s pension rate (offset by reduction in the past service deficit budget - see paragraph 60 below) • £0.9M for contracts, many of which are annually index linked to measures of inflation <p>Other expenditure areas receive no budgetary uplift and are expected to manage within the existing base budget allocation.</p>																																

60.	<p><u>Employer's Pension Costs</u></p> <p>Following the 2019 triennial revaluation of the Hampshire Local Government Pension Scheme employer's contributions have been reduced, releasing around £4.5M per annum for the next three financial years.</p>																			
	<p><u>Balances and Earmarked Reserves</u></p>																			
61.	<p>The current General Fund Balance of £10.1M is considered to be appropriate to cover for unforeseen events and financial risks not provided for elsewhere.</p>																			
62.	<p>A review of useable reserves has been undertaken as part of the budget planning process and an element of the uncommitted amount has been factored in to the MTFs to help offset budget shortfalls. Earmarked reserves (excluding schools' balances) are projected to reduce from £85.8M at the start of 2019/20 to £32.0M by the end of 2022/23. Further details are provided in section 2.4 of the Medium Term Financial Strategy (Annex 1.1).</p>																			
63.	<p>Increased numbers of children being looked after and the higher costs of placements are putting significant pressure on the children's services budget. Demand management strategies have been put in place to reduce costs over the medium term. To recognise these and other potential additional pressures across all social care, £6.0M has been added to the Social Care Demand Risk Reserve in each of the three years 2020/21 – 2022/23, which can be called upon if there is demonstrable need. This need will be based on the financial position at the year-end, as well as in-year as informed by the quarter 1 budget monitor scorecard and evidenced continuing pressure.</p>																			
64.	<p>Table 5 sets out the net use of reserves included within the budget proposals.</p>																			
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66.	<p><u>Capital Asset Management</u></p>																			
67.	<p>Capital financing costs are met from the Capital Asset Management budget held centrally within the Council. Further details regarding capital financing assumptions are included in the Treasury Management Strategy and Prudential Limits report to Governance Committee on 10th February 2020.</p>																			
68.	<p>On 9th October 2019 the Public Works Loan Board (PWLb) increased their rates by 1% at one hour's notice. This means that any future borrowing for councils via the PWLB would be incurred at an additional 1% cost.</p>																			
69.	<p>This increase had no immediate impact on the budget plans put forward in the paper to Cabinet on 15th October 2019, or on the existing plans in the capital programme, as the capital financing costs of the proposals included in the draft budget submitted to Cabinet in October included prudent estimates. The increased rate has been taken into account for all future proposals requiring financing.</p>																			

70.	<p>The increase by PWLB has had the following impacts on proposals discussed and agreed already by the Council:</p> <ul style="list-style-type: none"> • Oaklands Housing Development: The changed of rate adds around £0.34M additional debt cost into the project, which when allocated across 30 years does not have a material impact on the value for money of the proposal. It will have an impact on the cost of the remaining 900 homes in the overall build target, which will need to be costed including the higher rate. • Toys R Us: Annual financing costs would increase by £0.11M. Financing costs of the project would remain below the estimated annual net occupational income at full occupancy. The cash value of the project return, including the estimated value of the asset after 35 years, reduced by some £4M. • Property Investment Fund: The net yield from a number of sample transactions for property on the market was calculated and included in the Cabinet/Council report. These have been re-estimated based on the new PWLB rates and it shows that the target level of £2.8M included as a net saving from an increase of £200M invested in property remains achievable. 																																																				
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73.	<p><u>Table 6 – Summary of Changes</u></p> <table border="1" data-bbox="220 1088 1361 1615"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Gap – October 2019</td> <td>(0.08)</td> <td>4.72</td> <td>7.29</td> </tr> <tr> <td>Addition to reserves for social care demand</td> <td>6.00</td> <td>6.00</td> <td>6.00</td> </tr> <tr> <td>IT Strategy revenue costs</td> <td>0.46</td> <td>0.36</td> <td>0.36</td> </tr> <tr> <td>LGPS employer’s contribution saving</td> <td>(4.50)</td> <td>(4.50)</td> <td>(4.50)</td> </tr> <tr> <td>Feasibility costs necessary for capital works</td> <td>0.64</td> <td></td> <td></td> </tr> <tr> <td>Adjustment to capital financing estimates</td> <td>(0.19)</td> <td>0.65</td> <td>0.84</td> </tr> <tr> <td>Changes to investment in services (including clean city)*</td> <td>0.50</td> <td>0.29</td> <td>0.17</td> </tr> <tr> <td>New savings proposals</td> <td>(0.12)</td> <td>(0.12)</td> <td>(0.12)</td> </tr> <tr> <td>Changes to savings proposals</td> <td>0.34</td> <td>(0.18)</td> <td>0.08</td> </tr> <tr> <td>Funding changes</td> <td>(1.94)</td> <td>(3.28)</td> <td>0.10</td> </tr> <tr> <td>Further use of reserves</td> <td>(1.11)</td> <td>(0.07)</td> <td></td> </tr> <tr> <td>Amended Budget Gap – February 2020</td> <td>0.00</td> <td>3.87</td> <td>10.22</td> </tr> </tbody> </table> <p>*Includes Mayflower Quarter and Outdoor Sports Centre investments met from reserves</p>		2020/21 £M	2021/22 £M	2022/23 £M	Budget Gap – October 2019	(0.08)	4.72	7.29	Addition to reserves for social care demand	6.00	6.00	6.00	IT Strategy revenue costs	0.46	0.36	0.36	LGPS employer’s contribution saving	(4.50)	(4.50)	(4.50)	Feasibility costs necessary for capital works	0.64			Adjustment to capital financing estimates	(0.19)	0.65	0.84	Changes to investment in services (including clean city)*	0.50	0.29	0.17	New savings proposals	(0.12)	(0.12)	(0.12)	Changes to savings proposals	0.34	(0.18)	0.08	Funding changes	(1.94)	(3.28)	0.10	Further use of reserves	(1.11)	(0.07)		Amended Budget Gap – February 2020	0.00	3.87	10.22
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74.	The updated position shows a budget shortfall of £10.2M of net expenditure over funding by 2022/23 as set out in table 7.																																																				
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76. Chart 3 Forecast Budget Shortfall



77. Annex 1.1(a) to the Medium Term Financial Strategy (Annex 1.1) sets out the 2020/21 budget and forecasts for 2021/22 and 2022/23 by programme area, centrally held budgets and sources of funding.

THE COLLECTION FUND

78. Financial monitoring for the period to the end of December 2019 shows a forecast overall surplus to carry forward on the Collection Fund of £0.2M, comprising a £0.3M deficit for Council Tax and a £0.5M surplus for Non Domestic Rates.

79. Further details are included within the Financial Monitoring for the period to the end of December 2019 report to be considered by Cabinet at its meeting on the 25th February 2020.

80. Southampton City Council's £0.7M share of the forecast carried forward surplus has been taken into account in the proposed 2020/21 General Revenue Fund Budget.

Annexes

1.1	Medium Term Financial Strategy
1.2	2020/21 Council Tax Calculation
1.3	2020/21 Council Tax Collection Fund Estimates
1.4	Government Grants
1.5	Budget Pressures
1.6	Savings Proposals
1.7	Investments

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Appendix 1 - Annex 1.1

Southampton City Council

MEDIUM TERM FINANCIAL STRATEGY

2020/21 – 2022/23

MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2022/23

Contents

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- 1.1 Background
- 1.2 Strategic context
- 1.3 Policies, plans and other factors
- 1.4 National economic and public expenditure plans

Section 2 Local Financial Forecast

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- 2.2 Council resources
- 2.3 Other financial assumptions
- 2.4 Balances and earmarked reserves
- 2.5 Pressures, savings and new investments
- 2.6 Forecast financial position 2020/21 - 2022/23
- 2.7 Capital Programme
- 2.8 Housing Revenue Account
- 2.9 Key risks
- 2.10 Managing Budgets and Forecasting

Conclusion

- ANNEX 1.1(a) General Fund Revenue Account Medium Term Financial Forecast
- ANNEX 1.1(b) General Fund Earmarked Reserves
- ANNEX 1.1(c) Housing Revenue Account Medium Term Financial Forecast

SECTION 1. Context

1.1 BACKGROUND

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

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

The key overriding aim of the MTFS is therefore:

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

The 6 key objectives of the MTFS are to:

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

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

The Council used a programme based approach this year to ensure resources are directed towards agreed priorities. The budget is presented to show the resources being allocated to the priority programme areas. The council will continue to develop its approach to budget setting to ensure its finances are fully aligned to the agreed goals of the Council. During the 2020/21 budget process, increasing emphasis has been given to ways to generate income, without taking excess risk, and open up new income streams to help address the budget shortfalls the Council faces. It is expected that this work will continue.

1.2 STRATEGIC CONTEXT

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

1.2.1 Southampton City Strategy 2015-2025

The MTFs is framed by the City Strategy 2015-2025, including the City Vision, which has been developed by Southampton Connect, a partnership group consisting of representatives from business, the public, voluntary and education sectors and the City Council. The City Strategy identifies three key priorities:

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

It also includes four cross cutting themes:

- Fostering City Pride and Community capacity;
- Delivering whole place thinking and innovation;
- Improving mental health; and
- Tackling poverty and inequality.

Southampton Connect works closely with the key city partnerships to deliver against the vision, priorities and themes. Partnerships include the Employment, Skills & Learning Partnership, Health and Wellbeing Board and the Safe City Partnership.

1.2.2 Southampton City Council Strategy

The council's vision is that Southampton is a *City of opportunity*, with strategic goals being "Greener", "Fairer", "Healthier". These goals will be delivered through initiatives within the following themes:



1.2.3 Other Major Strategies

CUSTOMER STRATEGY 2018-2022

The Council's vision is:

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

The Customer Strategy sets out three outcomes that the Council aims to deliver for customers, and the high level actions to achieve these outcomes:

- Better customer experiences;
- Digital is the first choice for most customers; and
- Engagement with customers influences design and delivery of services.

DIGITAL STRATEGY 2018-2022

The Council's digital vision is of better customer experiences, greater independence and improved working through making the best use of information and technology. In particular we want to:

- Make contacting the council, finding information and doing business with us easier for our customers;
- Help the council run efficiently and work well with partners; and
- Grow Southampton's economy.

WORKFORCE DEVELOPMENT STRATEGY

The Workforce Development Strategy sets out a high level vision, priorities and outcomes to develop and nurture a motivated and effective workforce who will deliver the Council's priorities. The priority outcomes delivered by the Workforce Strategy will be:

- Recognised as an employer of choice;
- A high performing workforce;
- Good management across the Council;
- Evidenced based decision making, planning and delivery;
- A highly motivated and engage workforce;
- Staff empowered to make decisions;
- An effective Member Development programme for councillors; and
- Demonstrable valuing of diversity and equality.

1.2.4 Key Financial Strategies

CAPITAL STRATEGY

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

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

TREASURY MANAGEMENT STRATEGY

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

INVESTMENT STRATEGY

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

BORROWING STRATEGY

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

1.3 POLICIES, PLANS AND OTHER FACTORS

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

1.3.1 Demographics

Population forecasts for Southampton and nationally show that more people are living longer and as a consequence average life expectancy is increasing. The fastest growing sector of the population is that aged 75 to 79 years and over. Forecasts made using known residential development plans predict the over 75 to 79 years and over group will rise by 35.5% between 2018 and 2025, whilst the number of people over 75 years is forecast to grow by 4,146, an increase of 24.8%. Longer term projections, based on past trends, predict a 43.4% increase in over 65s in Southampton between 2016 and 2041.

The increasing proportion of older people creates challenges for individuals and policy makers alike, and it increases pressures on social care resources and other public services. Medical advances mean that people who previously might have died at a young age are living longer, often into adulthood, but do so frequently with long-term conditions and needs which require support to help them live as independently as possible. Likewise, with old age being extended, demands for social care and support are increasing. At the same time, the proportion of the working age population (aged 16-64 years) is only due to increase by 4.8% between 2018 and 2025, and this may affect availability of informal and community care.

As more people live longer the number of people living with dementia will continue to rise. It is anticipated that as techniques for diagnosing dementia improve, this will add to the total number of individuals requiring support. In 2017/18, there were 1,592 Southampton residents recorded on GP registers as having dementia; this has increased from 1,573 in 2016/17. This increase represents increasing prevalence and the ageing of the population as well as increased diagnosis and recording by GPs.

1.3.2 National and Local Policy

EXITING THE EUROPEAN UNION

The decision by the UK to leave the European Union in a referendum on 23 June 2016 is likely to have a significant impact not only on local government but on both UK and EU citizens who live and work in the UK.

The UK started the process of leaving the EU by triggering Article 50 in March 2017.

The UK government has negotiated and published a Withdrawal Agreement setting out the future framework for the future relationship between the UK and EU. The European Union (Withdrawal Agreement) Bill 2019-20 gained Royal Assent on 23 January 2020 and following ratification by the European Council, the UK formally exited the European Union on 31 January 2020. The UK has now entered a 'Transition Period' until the end of December 2020. During this period the UK will cease to be an EU member, but the trading relationship will remain the same, EU rules will still apply in the UK and the UK will continue to contribute to the EU. During this period the UK and EU undertake negotiations on the future relationship, as outlined in the Political Declaration, including a potential UK-EU Trade Deal. The outcomes of these negotiations and terms of any future trade deal and relationships will have an impact on local government policy.

QUEEN'S SPEECH 2019

Following the general election on 12 December 2019, the Queen's Speech took place on 19 December as part of the formal State Opening of Parliament.

Key points of interest for Local Government included:

- Serious Violence Bill – will place a statutory duty on public bodies including local government, education, social services, the NHS and probation to work together to reduce the levels of serious violence
- Social Care – a commitment to reform Adult Social Care in England, and to ensure that nobody has to sell their home to pay for social care, although no legislation is planned at this stage. An extra £1bn per year up until 2024/25 for Social Care.

- Mental Health Act – a pledge to update the Mental Health Act to reduce the number of detentions made under the Act
- Environment Bill – enshrining in law that the UK should be net carbon neutral by 2050.
- Building safety standards legislation – plans for new building safety regulations to prevent a repeat of the Grenfell Tower fire of 2017, imposing stronger duties on those responsible for the safety of high-rise buildings.
- NHS Multi-year Funding Settlement – will be enshrined in law for the first time. This will see £34bn go into the NHS per year until 2024/25.
- Reforming business rates (with specific reference to high streets), bringing forward the next rates revaluation and making future revaluations more frequent

Further details of these announcements will be available in due course, and when legislation is laid before Parliament. The Chancellor is expected to lay a new Budget before Parliament on 11 March 2020 which will also provide further clarity in relation to Government policy and spending plans.

1.3.3 Socio-Economic Factors

Southampton is ranked 55th on the overall Index of Multiple Deprivation (IMD) 2019 out of the 317 Local Authorities in England (1 equals the most deprived). Previously for IMD 2015 Southampton ranked 54th so has become relatively less deprived. 7 out of 16 wards have some areas which are within the 10% most deprived areas in the country.

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

CHILDREN LOOKED AFTER

From 2010 to 2015, the rates of referrals of children and young people to Children’s Social Services continued to increase year on year. However, as can be seen from the table below, from 2015 onwards, there has been a downward trend in the rate per 10,000 (0-17) children from 1,322.2 in 2015 to 511.1 in 2019. Southampton's rate of referrals has, for the last two years, been lower than the England average (544.5 in 2018/19).

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

Year	Southampton CC	National Averages
2015	1322.2	548.3
2016	839.1	532.2
2017	610.9	548.2
2018	519.4	552.5
2019	511.1	544.5

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

Although Southampton's rate is still higher than the national average, it has from 2016 onwards, seen annual decreases in the rate - with the latest figure now 95. There was a decrease from 2018 to 2019 of 9%, whilst England and South East generally have seen increases in rates of children in care.

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

Area	2015	2016	2017	2018	2019
Southampton CC	120	120	108	104	95
National Averages	60	60	62	64	65

In the year ending March 2019, the council carried out 337.0 Section 47 Child Protection investigations for every 10,000 children compared with 168.3 per 10,000 nationally. The city had 91.9 children subject to an initial child protection conference, compared with an average of 63.9 per 10,000 In England.

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

With regard to Looked After Children (LAC) numbers, from April to November 2019, the average number of children in care was 506, a slight increase from the previous financial year's 12-month average of 501. In 2017/18, the figure was 523 on average and in 2016/17 it was 593. In 2019/20, the numbers of children in care has remained between 490 and 516.

The number of children in care has, from December 2016 onwards, remained under 600 and from July 2018 under 530. Whilst the reductions are good news, plans to meet the LAC reduction trajectory are in place to ensure the associated savings targets are met. The average percentage of fostering placements made with independent fostering agencies, (IFA) from April to November 2019 was approx. 30% (an average of 150 placements over the period of April - November 2019).

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

We are continuing to review our contracts with IFAs to negotiate cost reductions as well as also increasing the numbers of 'in-house' foster carers through targeted recruitment, providing more options for in-house placements where appropriate. As at the end of November 2019, Southampton CC had 164 in-house foster carers, many of which can provide placements for more than one child.

1.3.4 Physical-environmental factors

HOUSING

In Southampton 25% of residents live in privately rented accommodation, which is higher than the average for comparator cities at 18% and the England average of 17%. There are around 7,000 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 16,110 managed by the council with 8,351 households on its housing waiting list. The council has a responsibility to ensure that its own properties meet minimum decency standards. In April 2017, the council reported that just under 7.5% of stock was non-decent as a result of the aging profile and the deteriorating condition of components.

The housing targets for Southampton are set out in the Southampton City Council Housing Strategy 2016-2025 and the Southampton Core Strategy 2006-2026. This currently states that there is a requirement for an additional 16,300 housing units for the city by 2026. The council recognises that the number of new affordable homes available needs to be increased, and the Executive has made a commitment to build 365 new homes per year. Following the removal of the Housing Revenue Account borrowing cap in October 2018, the council is exploring the opportunity to build new council owned homes.

1.3.5 Wider Partnership Working

BETTER CARE FUND

The Better Care Fund commenced 1 April 2015 and is framed within a formal contract with Southampton City Clinical Commissioning Group (SCCCG) for a pooled budget under Section 75 of the National Health Service

Act 2006. The purpose of the Fund is to ensure closer integration between health and social care services. The Southampton Better Care Fund pools funding for a significantly greater number of services than the minimum required which is consistent with the ambition locally to integrate and pool resources at a scale to significantly transform its health and care services.

The Southampton Better Care Plan has identified key areas where greater integration between Health and Social Care will make system wide efficiencies that will benefit both organisations. For the Council these efficiencies have been included within the medium-term financial forecast. In 2020/21 the provisional combined Better Care Fund budget is £128.7M, comprising £80.7M for the CCG and £48.0M for the Council (including the element funded from the Improved Better Care Fund).

1.3.6 Strategic Contracts

The Council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitments. These include PFI contracts for schools, waste and street lighting, as well as a public private partnership for care homes and a highways services partnership. Whilst these contracts can be monitored and performance managed to ensure they deliver value for money, it can be lengthy and more difficult to renegotiate these contracts to reduce expenditure. The financial health of these major contractors is kept under review as part of the monitoring arrangements.

1.4. NATIONAL ECONOMIC AND PUBLIC EXPENDITURE PLANS

The MTF5 is set within the context of national economic and public expenditure plans, and takes into account the national legislation setting out the City Council's ability to borrow and to raise income from Council Tax and other sources.

1.4.1 Spending Round 2019

The government published the Spending Round 2019 on 4 September 2019, setting out spending plans for the single financial year 2020/21. The key themes relevant to Southampton City Council were as follows:

Social Care

- Local councils will have access to an additional £1.5Bn for social care next year. This is in the form of an additional £1Bn grant for adult and children's social care and, the government will consult on a 2 per cent Adult Social Care precept that will enable councils to access a further £0.5Bn. This is in addition to maintaining £2.5Bn of existing social care grants.
- The NHS contribution to adult social care through the Better Care Fund will increase by 3.4% in real terms, in line with the overall NHS long-term settlement.

Schools, Children and Young People

- The government committed to a £7.1Bn increase in funding for schools by 2022/23 (£4.6Bn above inflation), compared with 2019/20 funding levels. Ahead of that, the schools budget will rise by £2.6Bn in 2020/21 and £4.8Bn in 2021/22, compared with current year funding levels.
- In 2020/21, the government will ensure that per pupil funding for all schools can rise in line with inflation (1.8%). The minimum per pupil amount for 2020/21 will increase to £3,750 for primary schools and £5,000 for secondary schools.
- The additional schools funding includes over £700M more in 2020/21 compared to 2019/20 funding levels to support children and young people with special educational needs.
- Funding for the Troubled Families Programme will continue.

Local Government Funding

- The government will consult on a 2 per cent council tax referendum threshold (in addition to the 2 per cent for the social care precept).

- Revenue Support Grant and the business rates baseline funding level would be uprated by inflation.
- Subsequent to the Spending Round, the Ministry of Housing, Communities and Local Government confirmed that the outcome of the Fair Funding Review and reforms to the Business Rates Retention Scheme would be delayed until 2021/22. It was also confirmed that there would be no business rates pilots in 2020/21.

Other Measures

- A real-terms increase in Public Health Grant (still to be announced).
- Additional £54M to combat rough sleeping and homelessness, £24M for the Building Safety Programme; £30M to tackle poor air quality; £200M to transform bus services.

1.4.2 Provisional Local Government Finance Settlement 2020/21

The 2020/21 provisional settlement was announced on 20 December 2019. It largely confirmed the announcements in the Spending Round and the settlement technical consultation that followed in October 2019. Key messages are as follows:

- An additional £1Bn of social care grant for adult and children's services and continuation of existing adult social care grants into 2020/21. Details of pooled Better Care funding are still to be issued.
- Revenue support grant and business rates baselines uprated by inflation.
- New Homes Bonus continues into 2020/21 with the baseline growth level remaining at 0.4%. The 2020/21 element of NHB will be paid for one year only and the legacy payments in respect of growth in previous years will continue to be paid in 2020/21. The government will consult on a new targeted approach to rewarding housing growth in Spring 2020.
- Confirmation of a 2% council tax referendum cap for 2020/21 and permission for social care authorities to raise additional funding through a 2% social care precept.
- Confirmation of no business rates pilots in 2020/21 (other than those with ratified devolution deals that started in 2017/18).
- No announcement on whether local authorities will receive compensation for the additional business rates relief announced in the Queen's Speech.
- No update on the Fair Funding Review or further business rates retention – Government are expected to consult later in 2020.
- The settlement includes no information on the national total for public health grant or individual local authority allocations.
- An extra £780M has been added to the high needs block of the dedicated schools grant in 2020/21 in recognition of rising costs of meeting special educational needs.

For Southampton the impact of the settlement in terms of grant funding is included in the council resources outlined in Section 2. The final settlement was announced on 6 February 2020 and confirmed the above details, subject to a final vote by MPs once debated in Parliament. Funding for Southampton in the final settlement as published on 6th February matches the provisional settlement. Southampton stated in its reply to the settlement consultation that whilst Government's Adults Social Care levy of up to 2% provides a mechanism to raise funds from local taxpayers to meet the ever rising costs of social care, sustainable social care over the longer term requires a national solution. We therefore look forward to the long-promised Green Paper proposals.

1.4.3 Financial outlook for 2021/22 and after

Changed priorities in central government during 2019 have meant a one year delay to the planned implementation of changes to the local government finance system until April 2021. If the new Government continues with plans to make changes through reform of the business rates retention system and the fair

funding review, these changes would increase the proportion of business rates retained locally from 50% to 75%. This would be done in a financial neutral way at a national level, with grants such as Public Health Grant, which is currently ring-fenced, being replaced by a share of retained business rates as revenue funding.

The anticipated multi-year spending review, setting out the Government's public expenditure plans over the medium term, was also postponed by a year until 2020.

The changes to the local government finance system will impact local authorities' resources in two ways:

- i. Government decisions about the overall sum total of funding available to local authorities and how it is likely to change; and
- ii. the determination of each authority's share of the national total based on an assessment of its spending needs relative to all other authorities.

Therefore, most local authority funding is set to come from council tax and business rates from 2021/22 onwards. However, projections indicate that revenues will struggle to keep up with demand and cost increases, even allowing for continued council tax rises and efficiency measures.

A local authority's finances is likely to continue to reflect how it addresses the major pressures felt across adults and children's social care as well as its ability to continue to achieve efficiencies whilst growing existing and developing new income streams to help offset pressures faced.

SECTION 2. Local Financial Forecast

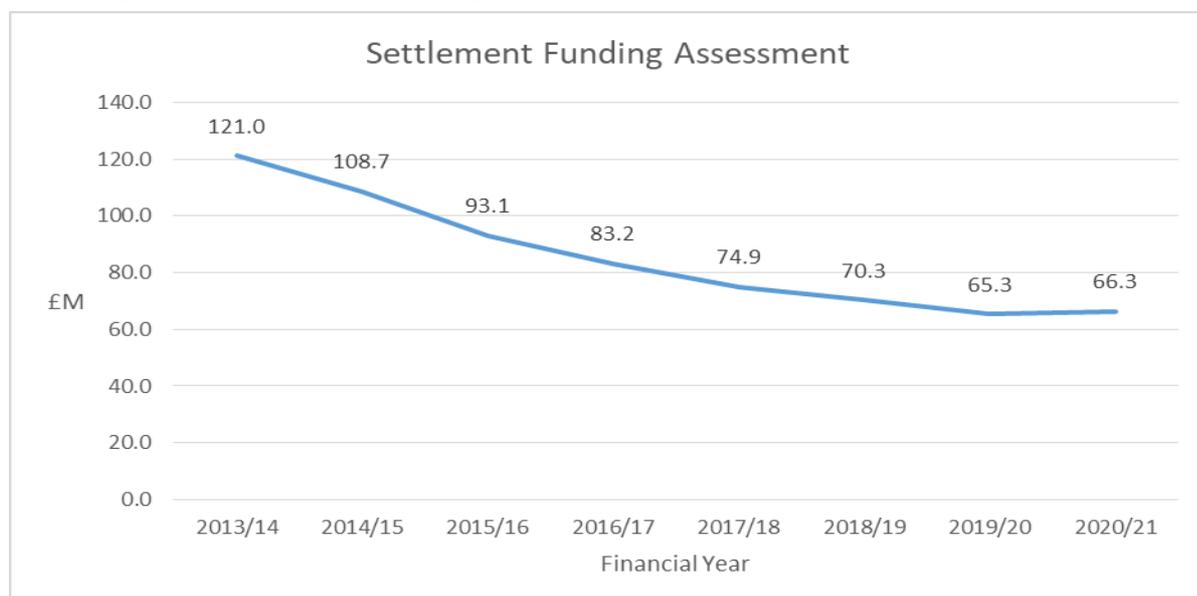
2.1 Financial Trends

2.1.1 Settlement Funding Assessment

The settlement funding assessment is the Government's measure of funding required by a local authority to meet net revenue expenditure after allowing for income generated from council tax. It is used to distribute revenue support grant to local authorities. In line with the Government's spending plans, the settlement funding assessment has been reduced over recent years, and hence the amount of revenue support grant distributed to local authorities.

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

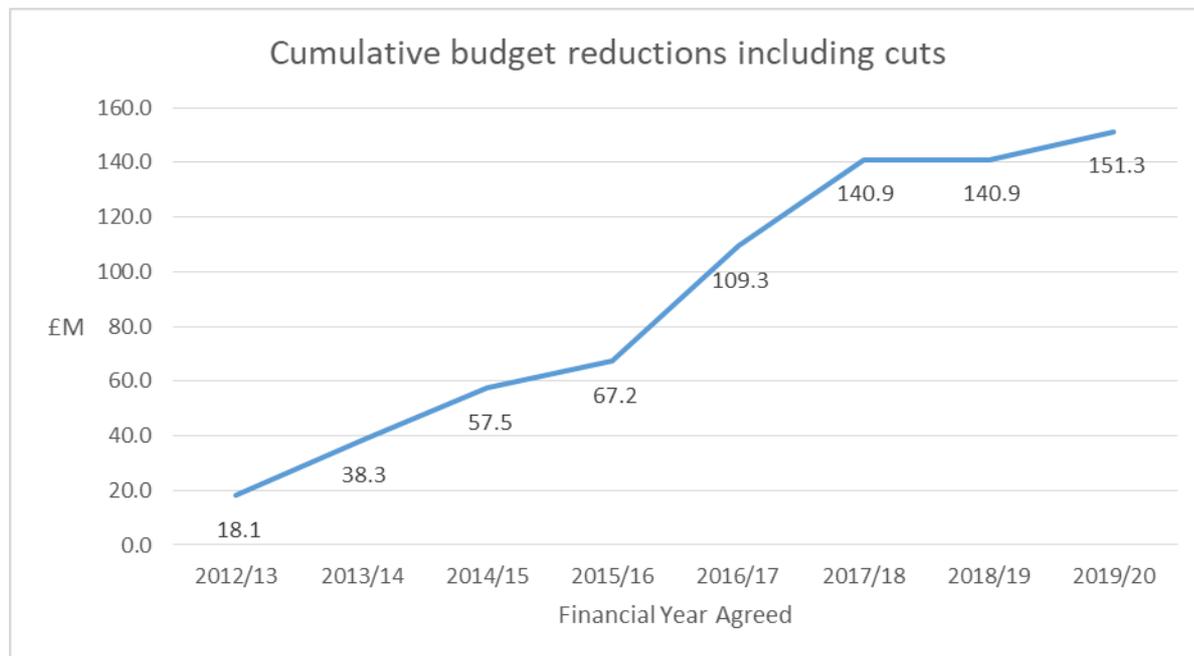
CHART: SETTLEMENT FUNDING ASSESSMENT



2.1.2 Budget Reductions History

In response to Government funding reductions and service expenditure pressures, the council has agreed some £151M of General Fund budget reductions including cuts over the last 8 years (see following chart). This level of reduction represents around three-quarters of the level of the 2019/20 net council revenue budget.

CHART: BUDGET REDUCTIONS HISTORY



Sustaining this level of savings going forward is becoming increasingly difficult, whilst balancing the delivery of improvements to the services provided for our residents. Whilst the existing approach has been successful in taking out some cost through tactical savings and budget reductions, its value going forward is likely to be less. Whilst the council will continue to ensure efficiency is the highest priority, to maximise resources, additional emphasis is needed on new ways to balance the budget.

The financial challenges and uncertainty outlined in this report are just a few examples of the context we face in continuing to deliver services to our residents and achievement of our priority outcomes. In order to rise to these challenges the council needs to consider how our services are delivered, investing in areas where appropriate and taking measures to avoid costs wherever possible.

Consequently we will need to be more flexible, innovative and entrepreneurial in order to rise to the new challenges we face over the next 3-5 years and beyond. Over that period the hallmarks of this approach will be to maximise opportunities for alternative funding streams, at the same time look for cost avoidance, and working collaboratively with partner bodies to share optimise financial benefits whilst promoting better services to our residents. For example, investing in commercial property will be done with local economic and other benefits in mind, whilst also accessing a valuable income stream which will provide a net contribution to the revenue budget.

2.2 COUNCIL RESOURCES

The table below summarises the Council's key funding assumptions for the Medium Term Financial Strategy. Percentages indicate forecast year-on-year changes.

TABLE 1 SUMMARY OF KEY FUNDING ASSUMPTIONS

Item	2020/21	2021/22	2022/23
Council Tax	0.00%	1.99%	1.99%
Social Care Precept	2.00%	0.00%	0.00%
Council Tax Base (No. of Band D equivalents)	65,468	65,670	65,792
Small Business Rates Multiplier	1.7%	2.0%	1.9%
Revenue Support Grant	1.6%	0.0%	0.0%
New Homes Bonus	-14.1%	-64.2%	-54.0%

2.2.1 Council Tax and Adult Social Care Precept

Local authorities with Adult Social Care responsibilities were given the ability to increase council tax by up to 2% in 2020/21 provided this was allocated to help fund Adult Social Care budget pressures. This will generate £2.0M extra funding for Adult Social Care in 2020/21. The 2020/21 settlement does not provide for any further information on whether this ability will continue after next year and therefore the MTFs assumes no further increase in future years.

As set out in Table 1 above, the assumption is that council tax rises will be set at just under 2.00% in 2020/21, under the Adults Social Care Precept flexibility, and at 0% for the general increase, giving a Band D Council Tax of £1,566.18 in 2020/21. The assumption for future years is a 1.99% increase in the core or general level of council tax.

The council tax base that has been assumed for each financial year is detailed in Table 1.

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

TABLE 2 COUNCIL TAX INCOME

	2020/21 £M	2021/22 £M	2022/23 £M
Council Tax - General Precept	93.41	95.75	98.01
Council Tax - Adult Social Care Precept	9.12	9.15	9.17
Total Council Tax Income	102.53	104.90	107.18

2.2.2 Business Rates

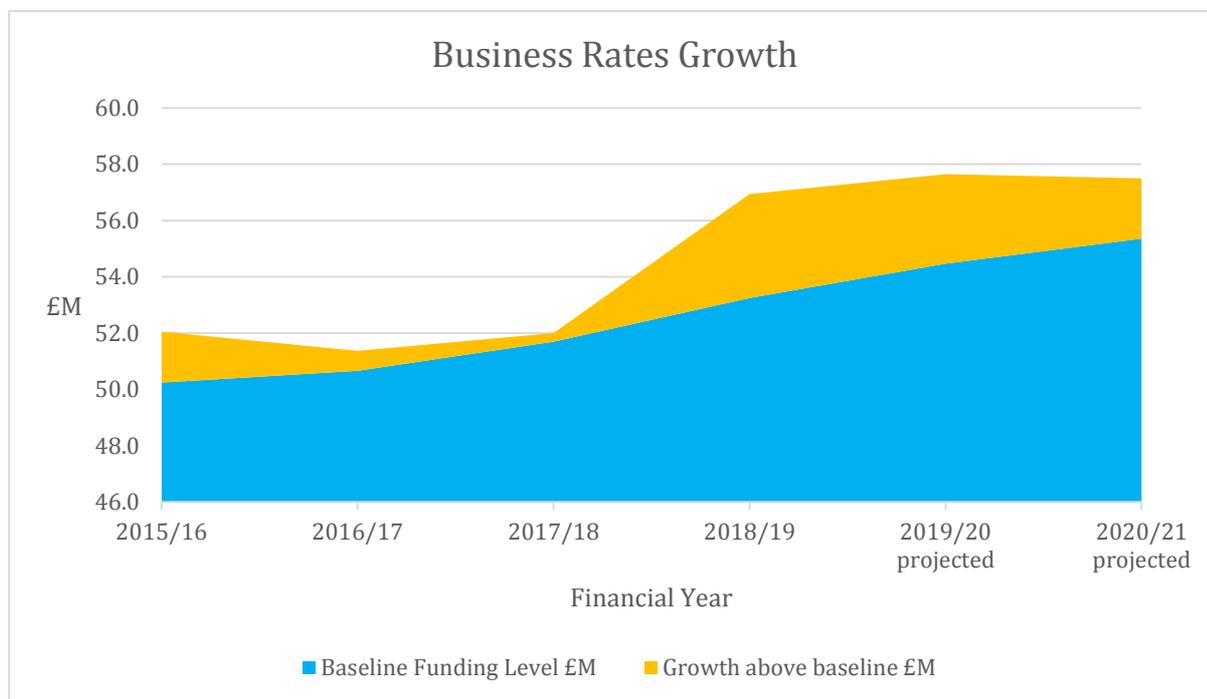
Under the Government's funding arrangements for local authorities the business rate retention scheme means councils are able to retain a proportion of their business rates, including growth, but also take a degree of risk of reductions in business rates during times of recession, although there are 'safety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

The MTFs assumes the business rate multiplier will increase with inflation as set out in Table 1 above.

There has been an assumption built into the MTFs for business rates growth, this is based on an assessment

of new property developments undertaken in conjunction with the Growth team. This estimate is based on projects which are already in the pipeline.

The graph below shows the growth in business rates income above the Government's baseline funding level since 2015 and the projected future growth.



SOLENT REGION - BUSINESS RATES RETENTION PILOT

Southampton City Council has participated in a business rates pilot during 2019/20, as a part of the Solent Pool arrangement with Portsmouth City Council and the Isle of Wight. The benefit arising from this pilot is that an increased share of the proceeds of growth in business rates can be retained within the pilot area, in this case 75% as opposed to the usual 50%. The value of this benefit will not be known until after the year-end, but the MTFs assumes a benefit of around £1.7M will arise and help fund the 2020/21 budget.

The pilot scheme will come to an end on 31 March 2020. However, a further benefit has been assumed for 2021/22, arising from the shared accumulated funds retained by the Pool, with a further £3.3M in funding factored in to the 2021/22 budget. This has been assumed as a benefit for 2021/22 as the sum will not be confirmed until well into the 2020/21 financial year.

2.2.3 Government Grants

REVENUE SUPPORT GRANT (RSG)

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

The MTFs reflects the allocation given in the 2020/21 settlement, with an assumption of a cash flat allocation thereafter.

NEW HOMES BONUS (NHB)

Funding from the New Home Bonus continues into 2020/21, with this funded via a 'top-slice' of £900M

nationally from the resources allocated to local authorities. Authorities are reward via the NHB for the additional homes built or empty properties brought back into use. Government stated as part of the settlement that it will consult on changes to the NHB, so it is uncertain what funding will be provided beyond 2020/21. The MTFS assumes that legacy payments for NHB allocations in previous years will continue. Table 3 below shows the assumed allocations in the MTFS.

TABLE 3 NEW HOMES BONUS ALLOCATIONS

	2020/21 £M	2021/22 £M	2022/23 £M
Assumed New Homes Bonus	4.10	1.47	0.68

PUBLIC HEALTH GRANT

The Public Health Grant continues to be a ring-fenced grant to local authorities in 2020/21. As at the time of writing the Government has not announced the allocations for 2020/21. The Public Health Grant had been falling over recent years, as outlined in Table 4 below.

TABLE 4 PUBLIC HEALTH GRANT

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Public Health Grant allocations	17.78	17.42	16.90	16.52

OTHER GRANTS

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

In the 2019 Spending Round the Government announced additional grant funding for social care and continuation of existing adult social care grants. For 2020/21 the Council received an allocation of £6.7M Social Care Grant (of which £1.9M was existing funding and £4.8M is new) and £10.4M Improved Better Care Fund (all continuation of existing grants). For planning purposes it has been assumed that the majority of social care grant funding will continue in future years.

2.3 OTHER FINANCIAL ASSUMPTIONS

2.3.1 Pay Inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2020. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated.

A 2% pay award has been assumed from 2020/21 and future years.

2.3.2 National Living Wage

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

The Council has adopted the National Living Wage Foundation's recommended living wage, which is currently £9.30 (set in November 2019 but implemented by the Council from 1 April 2020), for payment of SCC employees, and this rate is presently higher than the initial NLW (£8.72 from April 2020).

2.3.3 General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2020. There is a risk that should inflation increase at a higher rate than anticipated, our costs would rise, with many major contracts being uplifted by indexation linked to inflation on an annual basis. The Consumer Price Index is expected to be around 1.9% - 2.0% over the medium term and the Retail Price Index around 2.7% - 3.1%.

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

2.3.4 Pension Fund - Employer Costs

Employer contributions to the Hampshire Local Government Pension Scheme (LGPS) were reviewed as part of the 2019 triennial revaluation process. This changes rates applicable from April 2020. The new rate of 18.2% (incorporating past service costs) has been factored into the MTFS.

Good returns from the fund's investments over the last three years combined with the actuary's review of the fund as part of the normal fund valuation has meant that contributions from the council have been reduced for 2020/21 onwards, releasing around £4.5M per annum.

2.4 BALANCES AND EARMARKED RESERVES

The minimum level of General Fund balances is reviewed and risk assessed on an annual basis.

The Executive Director Finance & Commercialisation recommends that the minimum level of the General Fund Balances should be £10.1M, which represents the current balance. This balance provides mitigation against any unforeseeable events the council may face, as well as potential overspends in demand led areas such as social care and safeguarding for both adults and children.

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

The financial risks facing the Council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in Central Government funding; the subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the Council.

Reserves totalled £85.8M at the end of 2018/19. A review of useable reserves has been undertaken and the uncommitted element identified. The reserves available to the council, and their forecast future position, is given at Annex 1.1(b). The budget strategy involves using an element of the available reserves to offset the budget shortfall, which partly arises out of a lower than forecast take from business rates when compared with previous MTFS assumptions. This will allow more time to develop new approaches and generate additional income as a way to balance the budget. The budget strategy also includes adding £6.0M in each of the next three years to the Social Care Demand Risk Reserve to be called upon if there is demonstrable need. This need will be based on the financial position at year-end, as well as in-year as informed by financial monitoring of cost pressures in Adults and Children's Social Care.

Reserve use and retention is an important part of the medium term financial strategy. Even after applying a proportion of the available reserves, it is estimated there will still be £32.0M left at the end of the MTFS period. Table 5 below shows the forecast General Fund earmarked reserves (excluding schools' balances) at the end of each financial year of the MTFS.

TABLE 5 GENERAL FUND EARMARKED RESERVES

	2019/20	2020/21	2021/22	2022/23
	£M	£M	£M	£M
Total earmarked reserves (excluding schools' balances)	67.34	51.37	39.90	32.02

A further review of reserves and balances will be undertaken each year as part of the budget setting and final accounts process to ensure the council has adequate resources to cover uncertainty and risk. As we move towards a regime of a higher level of funding from business rates, which fluctuate with the business cycle, reserves will provide a cushion against any 'shocks' to council funding, or delay with savings or being unable to realise the assumed level of savings/income generation.

2.5 PRESSURES, SAVINGS AND NEW INITIATIVES

2.5.1 Pressures & Mitigations

Table 6 summarises the pressures that have been included in the medium term financial forecast in Annex 1.1(a). These have arisen from the issues described in the preceding sections as well as pressures that have been identified via the individual service areas through regular financial monitoring and budget setting. Where budget is no longer required this has been released to mitigate pressures elsewhere, hence the table shows some negative amounts.

TABLE 6 SUMMARY OF PRESSURES & MITIGATIONS

Programme	2020/21	2021/22	2022/23
	£M	£M	£M
Place Shaping	(1.00)	(1.00)	(1.00)
Wellbeing	10.22	10.12	12.02
Communities, Culture & Homes	0.18	0.18	0.18
Green City	(0.23)	(0.23)	(0.23)
Successful, Sustainable Business	0.63	0.48	0.41
Centrally held budgets	(2.59)	(2.25)	(1.56)
Total Pressures	7.22	7.31	9.82

2.5.2 Savings - Income Generation and Budget Reductions

The Council's approach regarding income generation is to maximise opportunities where possible and income generation forms a key strand of the council's budget strategy, with income generation targets forming a key element of reducing the Council's budget gap.

The cost base of services has also been reviewed to identify opportunities to reduce costs.

Table 7 summarises the savings that have been included in the medium term financial forecast in Annex 1.1(a) to the MTFS.

TABLE 7 SUMMARY OF SAVINGS

Programme	2020/21 £M	2021/22 £M	2022/23 £M
Place Shaping	(0.04)	(0.04)	(0.04)
Wellbeing	(1.85)	(3.25)	(4.30)
Communities, Culture & Homes	(0.15)	(0.15)	(0.15)
Green City	0.00	(0.01)	(0.01)
Successful, Sustainable Business	(5.30)	(6.07)	(5.84)
Centrally held budgets	(0.27)	(1.09)	(1.09)
Total Savings	(7.61)	(10.61)	(11.42)

The Property Investment Fund saving of £2.75M is shown net in the above table within Successful, Sustainable Business. The anticipated income from the proposal is £6.60M in 2020/21 and £9.97M thereafter, offset by capital financing costs of £3.85M in 2020/21 and £7.22M in future years.

2.5.3 Investments

As well as experiencing pressures the Council has also identified new investments it wishes to undertake to help stimulate the economy and enhance services as shown in Table 8. The revenue and capital implications have been included in the medium term financial forecast in Annex 1.1(a).

TABLE 8 SUMMARY OF INVESTMENTS

Programme	2020/21 £M	2021/22 £M	2022/23 £M
Place Shaping	0.85	1.26	1.07
Wellbeing	0.42	0.25	0.18
Communities, Culture & Homes	0.76	0.37	0.48
Green City	0.72	0.63	0.72
Successful, Sustainable Business	1.36	0.65	0.48
Centrally held budgets	0.14	1.35	3.16
Total Investments	4.25	4.51	6.10

2.6 FORECAST FINANCIAL POSITION 2020/21 - 2022/23

The Council's current forecast financial position is detailed below and includes the implications of the provisional settlement, implementation of the change agenda, and will be reviewed each year of budget setting to reflect any new pressures and any revision to the Council Strategy.

Where possible factors described in the preceding sections have been built into the financial modelling to ascertain the forecast financial position. The graph below demonstrates the funding gap to 2022/23 as at February 2020. The outlook will be extended to 2024/25 when more is known from Government about their funding intentions.

Table 9 below shows the current summary position, with the detail being included in Annex 1.1(a) to the MTFS. This shows the Council is required to achieve £10.2M savings over the period to 2022/23.

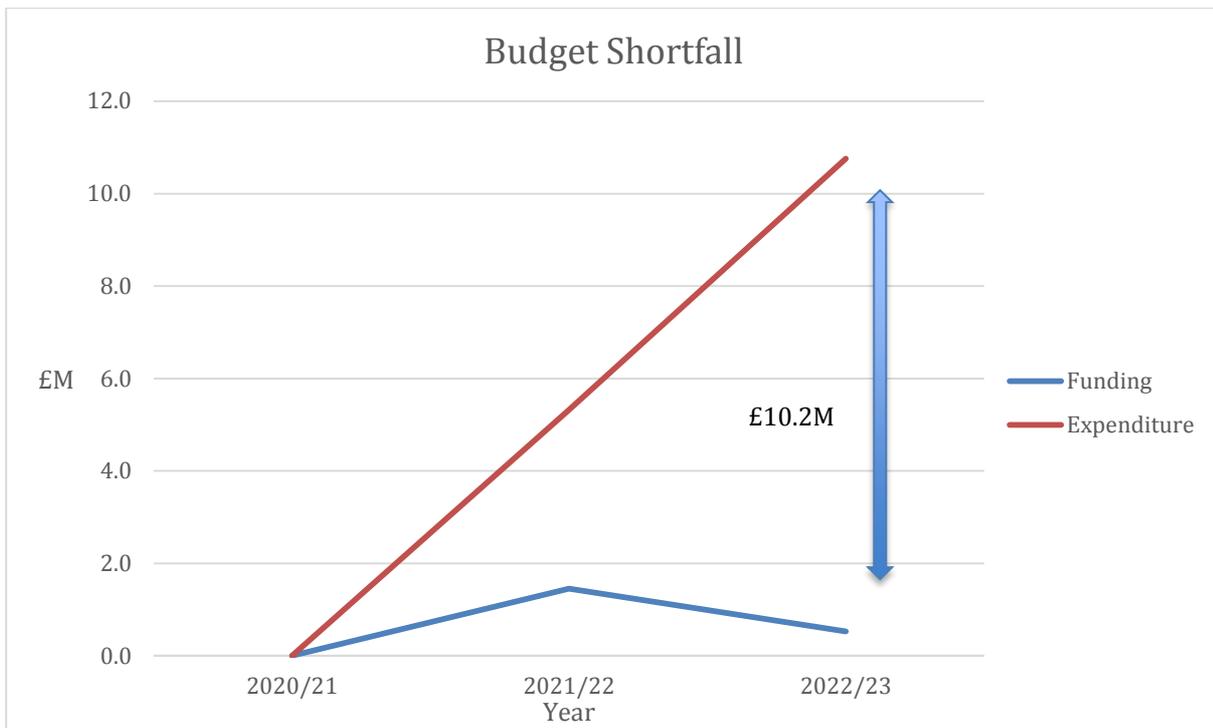


TABLE 9 FORECAST BUDGET SHORTFALL

	2020/21 £M	2021/22 £M	2022/23 £M
Net Expenditure	190.82	196.14	201.57
Funding	(190.82)	(192.27)	(191.35)
Forecast Budget Shortfall	0.00	3.87	10.22

2.7 CAPITAL PROGRAMME

Planned Capital Expenditure and the associated financing is detailed within the budget report for approval by Council in February 2020. The impact of revenue saving proposals for 2020/21 and future years along with new investments on the Capital Programme have been considered and have been integrated into the proposed Capital Programme for 2019/20 to 2024/25. The proposed Programme totals £980.8M and includes £728.8M for the General Fund and £252.0M for the HRA. The General Fund Capital Programme includes the following major commitments:

- £200M Property Investment Fund
- £155.7M for Connected Southampton
- £88.6M for highways and transport schemes
- £125.9M for schools and other education projects

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

2.8 HOUSING REVENUE ACCOUNT

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

The main points to note are:

- Following the Chancellor's announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous Southampton City Council HRA 'debt cap' of £199.6M has been removed, and there is now the emphasis for councils to plan their new build strategy and financing at a local level. The process for identifying priorities and sites for new build developments is now taking place and is expected to form the basis of a new delivery strategy in 2020. The overall objective is to deliver 1,000 council owned homes by 2025, subject to council approval.
- The capital spending plans include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years.
- Investment in existing properties can be achieved within the previous borrowing limit of £199.6M, also known as the 'debt cap'. Additional borrowing provision above this amount has only been made for regeneration/stock replacement.
- A provision of £231M (including inflation adjustment) is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 40 years. This provision has been phased between year 3 and year 40 of the Plan. All elements of the 1,000 homes delivery which has not been subject to Council approval does not feature in the programme at this stage.
- The revenue budget meets the minimum balances of £2M over the life of the Plan.

The Welfare Reform & Work Bill 2015/16 imposed a 1% per annum reduction in rents charged to tenants for a 4 year period from 2016/17 to 2019/20. This period has now ended, and rents are increasing in line with prevailing inflation data. The rental increases are still limited by national Government policy and are currently calculated using the Consumer Price Index inflation plus 1% for the next five years, and Consumer Price Index only thereafter.

A consultation has taken place for a change in the profiling of rent charges from a year of 48 weeks of payments, to 52 weeks of payments. This will be implemented from 1 April 2020. Although the overall rent due across a year is not affected by this change, this will standardise rents in line with regular Housing Benefit and Universal Credit arrangements.

2.9 KEY RISKS

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

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

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

- The lack of certainty in Government funding for future years including grants and the proposed new fair funding formula;
- Changes in function;
- Changes in how services are funded;
- Changes in the economy;
- Unmanaged service pressures and increases in demand;
- Council tax policy;
- Changes in legislation and government policy;
- Level of future pay awards and general inflation assumptions;
- Adequacy of contingencies in any one period;

- Business rate volatility, more frequent business rates revaluations and Business Rates Retention;
- Treasury Management and interest rate changes;
- Projected income levels from fees & charges;
- Non achievement of savings;
- Impact of National Living Wage;
- Level of provision for insurances;
- New burdens;
- Welfare reforms;
- Provider failure;
- Demographic changes; and
- Impact of the exit from the European Union, both nationally and locally.

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

1. **Financial** – the majority of the future years' strategy and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
2. **Political** – The current Spending Round 2019 covers only 2020/21 and hence a further announcement is expected in 2020. Government has also delayed changes to its business rate retention scheme funding for local authorities and its fair funding review, both of which are now expected to be implemented for 2021/22. The impact of any positive or negative change to our future funding as a result of the next Spending Review 2020 or changes to the local authority funding system will need to be considered in due course.
3. **Treasury** – the MTFs is based on a reasonably stable global financial position going forward, taking into consideration that there are unknowns with regards to the impact that exiting the European Union may have on the Council's finances. If the assumptions change it may have a major impact on the financial position of the Council particularly around business rate income, and interest payments
4. **Internal Change** – After several years of addressing funding reductions via the 'usual' route of restructures and service changes to reduce and limit service provision, more recently the Council has placed greater emphasis on retaining services but generating growth via income to offset funding reductions and budget pressures elsewhere. This will also necessitate internal changes and a greater commercial mind set. Inevitably, such changes have associated risks.

2.10 MANAGING BUDGETS AND FORECASTING

In setting the annual budget and the MTFs the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary.

In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a quarterly basis.

Conclusion

This MTFs provides a robust framework for setting the budget for 2020/21 and ensuring the Council remains in a sustainable financial position over the medium term. The current forecast position remains very challenging, with the Council facing rising demand for key statutory services.

The MTFs will be kept under regular review, and funding assumptions will be amended where Government announcements provide more clarity on funding beyond 2020/21. Irrespective of those announcements, the Council will pursue a policy of maximising its efficiency, but also providing arrangements and supporting services in generating additional income to help offset the budgetary pressures faced.

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MEDIUM TERM FINANCIAL MODEL												
GENERAL FUND REVENUE ACCOUNT												
	Approved 2019/20 Budget	Forecast Changes	Revised 2019/20 Budget	Approved 2020/21 Budget	Forecast Changes	Revised 2020/21 Budget	Approved 2021/22 Budget	Forecast Changes	Revised 2021/22 Budget	Approved 2022/23 Budget	Forecast Changes	Revised 2022/23 Budget
Approved Budget As at Feb 2019	£M	£M	£M									
Place Shaping	11.99	(0.09)	11.91	10.82	1.48	12.31	11.57	1.05	12.61	11.57	0.86	12.42
Wellbeing	104.12	5.94	110.06	100.81	8.78	109.59	102.51	8.71	111.22	103.27	9.17	112.44
Communities, Culture & Homes	7.56	1.23	8.79	7.27	1.69	8.96	7.24	1.02	8.27	7.24	1.09	8.34
Green City	4.09	0.22	4.30	3.71	1.09	4.81	3.79	0.87	4.66	3.79	0.96	4.76
Successful, Sustainable Business	37.28	6.95	44.23	32.90	(4.30)	28.60	35.09	(10.83)	24.26	35.10	(9.74)	25.36
Other Inflationary Pressures	10.20	(6.55)	3.65	20.37	(11.55)	8.81	16.55	(7.51)	9.03	16.54	(7.69)	8.85
Programme Expenditure	175.24	7.70	182.94	175.89	(2.81)	173.08	176.76	(6.69)	170.06	177.51	(5.35)	172.17
Capital Asset Management	16.34	(10.39)	5.95	17.36	(6.69)	10.67	18.67	(1.98)	16.69	19.99	0.02	20.01
Levies & Contributions	0.63		0.63	0.63	0.01	0.65	0.63	0.01	0.65	0.63	0.01	0.65
Other Expenditure & Income & Centrally Held Allocations	5.78	0.84	6.62	8.56	(1.73)	6.83	8.94	(2.33)	6.61	9.94	(2.38)	7.56
Transfer to/from Reserves	0.31	(6.90)	(6.59)	1.00	(1.41)	(0.41)	1.00	1.13	2.13	0.00	1.20	1.20
Net Revenue Expenditure	198.30	(8.74)	189.57	203.44	(12.62)	190.82	206.00	(9.86)	196.14	208.08	(6.50)	201.58
Funding												
Contribution to/from General Fund Balances			0.00		0.00	0.00		0.00	0.00		0.00	0.00
Council Tax (including Adult Social Care Precept)	(99.75)		(99.75)	(102.16)	(0.37)	(102.53)	(104.26)	(0.64)	(104.90)	(106.10)	(1.08)	(107.18)
Collection Fund Surplus/Deficit - Council Tax	(2.00)		(2.00)		0.25	0.25		0.00	0.00		0.00	0.00
Business Rates	(78.06)		(78.06)	(55.89)	4.03	(51.86)	(58.26)	4.34	(53.92)	(59.35)	4.37	(54.98)
Collection Fund Surplus/Deficit - Business Rates	(2.00)		(2.00)		(0.94)	(0.94)		0.00	0.00		0.00	0.00
Business Rates Retention Pool Growth Funding	(3.23)		(3.23)	(2.05)	0.28	(1.77)		(3.32)	(3.32)		0.00	0.00
Revenue Support Grant	0.00		0.00	(10.79)	(0.17)	(10.96)	(10.79)	(0.17)	(10.96)	(10.79)	(0.17)	(10.96)
Top Up Grant/Tariff Payment	10.12		10.12	(4.55)	(0.08)	(4.63)	(4.55)	(0.08)	(4.63)	(4.55)	(0.08)	(4.63)
New Homes Bonus	(4.77)		(4.77)	(3.86)	(0.24)	(4.10)	(2.89)	1.42	(1.47)	(2.82)	2.14	(0.68)
S31 Business Rates Grants	(6.15)		(6.15)	(5.67)	(0.15)	(5.83)	(4.47)	(0.38)	(4.85)	(4.55)	(0.34)	(4.89)
Other Non-Specific Government Grants	(12.47)	8.74	(3.73)	(9.00)	0.55	(8.45)	(8.95)	0.73	(8.22)	(8.31)	0.29	(8.02)
Total Funding	(198.30)	8.74	(189.57)	(193.97)	3.15	(190.82)	(194.17)	1.90	(192.27)	(196.48)	5.12	(191.35)
Savings Requirement	(0.00)	(0.00)	(0.00)	9.46	(9.46)	(0.00)	11.83	(7.96)	3.87	11.60	(1.38)	10.22

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Appendix 1 - Annex 1.1(b)

General Fund Earmarked Reserves (excluding Schools Balances)

	Forecast Balance As At 31/03/2020	Forecast Balance As At 31/03/2021	Forecast Balance As At 31/03/2022	Forecast Balance As At 31/03/2023
	£M	£M	£M	£M
Medium Term Financial Risk Reserve	41.69	30.57	22.10	17.30
Taxation Reserve				
Capital Funding Risk Reserve				
Organisational Design Reserve	6.73	4.92	3.42	1.92
Digital Strategy Reserve	4.29	2.84	1.40	0.00
Revenue Contributions to Capital	1.88	1.08	1.08	1.08
Insurance Reserve	2.94	2.84	2.84	2.84
PFI Sinking Fund	4.58	4.53	4.41	4.21
On Street Parking	2.63	2.41	2.47	2.47
Other Reserves	2.61	2.17	2.18	2.20
Total	67.34	51.37	39.90	32.02

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<u>HOUSING REVENUE ACCOUNT</u>	2019/20 Budget £M	2020/21 Budget £M	2021/22 Budget £M	2022/23 Budget £M
Responsive repairs	11.33	13.26	13.42	13.64
Cyclical maintenance	5.19	5.19	5.33	5.33
Rents payable	0.10	0.10	0.10	0.11
Debt management	0.09	0.09	0.16	0.17
Supervision & management	23.08	22.57	23.07	23.62
Interest & principal repayments	6.56	5.09	7.81	7.74
Depreciation	19.97	20.47	20.90	21.53
Direct revenue financing of capital	7.94	8.84	6.91	7.81
Total Expenditure	74.24	75.61	77.69	79.94
Dwelling rents	70.16	70.24	72.35	74.42
Other rents	1.16	1.23	1.26	1.30
Service charge income	2.28	3.26	3.17	3.26
Leaseholder service charges	0.64	0.88	0.92	0.96
Interest received	0.01	0.01	0.01	0.01
Total Income	74.24	75.61	77.70	79.94
Savings Requirement	0.00	0.00	0.00	0.00
(Surplus) /Deficit for the Year	0.00	0.00	0.00	0.00

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**SOUTHAMPTON CITY COUNCIL
COUNCIL TAX CALCULATION 2020/21**

	2019/20 £M	2020/21 £M	Change	
			£M	%
Budget Requirement (a)	198.30	190.82	(7.47)	-3.77%
Less Non Domestic Rating Income	(81.28)	(53.63)		
Less Business Rates S31 Grants	(6.15)	(5.83)		
Less Top Up Payment/Plus Tariff	10.12	(4.63)		
Less Revenue Support Grant	0.00	(10.96)		
Other Central Grant Funding	(17.24)	(12.55)		
Aggregate External Finance	(94.55)	(87.60)	6.95	-7.35%
Deficit/(Surplus) on Council Tax Collection Fund	(2.00)	0.25		
Deficit/(Surplus) on Business Rates Collection Fund	(2.00)	(0.94)		
Net General Grant Income & Business Rates (b)	(98.55)	(88.29)	10.26	-10.41%
Amount to be met from Council Tax (a - b)	99.75	102.53	2.8	2.80%
Tax base	64,959.0	65,468.0	509.0	0.78%
Basic amount of Council Tax (Band D)	1,535.52	1,566.18	30.66	2.00%
Last years Council Tax		1,535.52		
Council Tax - General Increase	0.00%	0.00		
Council Tax - Social Care Precept	2.00%	30.66		
Total Annual Cash Increase		30.66		
Increase (Cash per Week)		0.59		
Total Increase (%)		2.00%		

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COLLECTION FUND ESTIMATES 2020/21

	2019/20	2020/21	Change	Change
	£000	£000	£000	%
Southampton City Council Precept	99,745.7	102,534.7	2,789.0	2.80%
Hampshire Police Precept	13,086.7	13,843.9	757.2	5.79%
Fire and Rescue Services Precept	4,398.3	4,521.2	123.0	2.80%
Income due from Council Tax Payers	117,230.6	120,899.8	3,669.1	3.13%
Tax Base for Area	64,959.0	65,468.0	509.0	0.78%
Basic Amount of Tax for Band D Property	1,804.69	1,846.70	42.01	2.33%

SCC Council Tax increase per Property Band 2020/21

	SCC Band Charge	Council Tax Increase	SCC Band Charge	Police Band Charge	Proposed Fire and Rescue Band Charge	Total
Band	2019/20	2.00%	2020/21	2020/21	2020/21	2020/21
A	£1,023.68	20.44	£1,044.12	£ 140.97	£46.04	£1,231.13
B	£1,194.29	23.85	£1,218.14	£ 164.47	£53.71	£1,436.32
C	£1,364.91	27.25	£1,392.16	£ 187.96	£61.39	£1,641.51
D	£1,535.52	30.66	£1,566.18	£ 211.46	£69.06	£1,846.70
E	£1,876.74	37.48	£1,914.22	£ 258.45	£84.41	£2,257.08
F	£2,217.98	44.28	£2,262.26	£ 305.44	£99.75	£2,667.45
G	£2,559.19	51.11	£2,610.30	£ 352.43	£115.10	£3,077.83
H	£3,071.04	61.32	£3,132.36	£ 422.92	£138.12	£3,693.40

NOTE: Fire and Rescue Authority yet to meet to agree budget and council tax

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Government Grants

	2019/20 Revised Estimate £M	2020/21 Estimate £M
General Government Grants		
Revenue Support Grant	0.00	10.96
Business Rates Retention Top-up/Tariff	(10.12)	4.63
S31 Business Rates Grants	6.15	5.83
New Homes Bonus	4.77	4.10
Social Care Support/Social Care Grant	1.90	6.70
Other grants less than £1M	1.83	1.75
	4.53	33.97
Service Specific Government Grants		
Dedicated Schools Grant	126.52	136.84
Housing Benefit Grant	63.69	63.69
Public Health Grant	16.52	16.52
Additional and Improved Better Care Fund	9.28	10.39
Winter Pressures Grant (rolled into IBCF in 2020/21)	1.11	
Pupil Premium	9.25	9.23
Private Finance Initiative (PFI)	5.86	5.86
Teachers Pay Grant	2.98	2.98
Clean Air Zone and Implementation Fund	1.81	0.00
Universal Infants Free School Meals	1.54	1.54
Other grants less than £1M	9.24	9.06
	247.80	256.11
Total Government Grants	252.33	290.08

Due to a change in share of business rates retention in 2019/20 and 2020/21 general government grants for these years are not on a like for like basis.

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Ref	Pressures	2020/21 Pressures £000	2021/22 Pressures £000	2022/23 Pressures £000	Additional Information	Programme
	Adults					
20P1	Adult Social Care	8,330	8,811	10,641	Additional resources required to meet demographic and cost pressures (including those from the National Living Wage)	Wellbeing
	Total Adults	8,330	8,811	10,641		
	Aspiration, Children & Life Long Learning					
20P2	Compass School	1,000	1,000	1,000	Saving was allocated to the General fund but it relates to the ring-fenced Dedicated School Grant	Wellbeing
20P3	Early Help	416	416	416	Extended locality model to stop children coming into care, saving not going to be achieved	Wellbeing
20P4	Feasibility costs for SEND capital works	640				Wellbeing
	Total Aspiration, Children & Life long Learning	2,056	1,416	1,416		
	Green City & Environment					
20P5	Carbon Reduction Commitment	(225)	(225)	(225)	Government's Carbon Reduction Commitment scheme now ceased and therefore budget used to offset other service pressures	Green City
	Total Green City & Environment	(225)	(225)	(225)		
	Homes & Culture					
20P6	Cultural Services	34	34	34	Rental budget reduced before savings project has been implemented and unlikely to start this year. Will be kept under review.	Communities, Culture & Homes
20P7	Museum Collection into Sea City	150	150	150	Savings included in the budget before project has been implemented and will not start this year and next. Will be kept under review.	Communities, Culture & Homes
	Total Homes & Culture	184	184	184		
	Leaders Portfolio					
20P8	Investment Property	500	500	500	Income target was increased last year by £740k to reflect early achievement of the original £500k which was deferred until 20/21. The total increased target of £1,240k is not achievable next year.	Successful, Sustainable Business
20P9	Investment Property	(645)	(645)	(645)	Recharge budget for Investment Property MRP not required as will be met centrally - offsetting other service pressures	Successful, Sustainable Business
20P10	Property repairs and maintenance	(250)	(250)	(250)	Repairs and Maintenance budget reduced to reflect actual requirement - offsetting other service pressures	Successful, Sustainable Business
	Total Leaders Portfolio	(395)	(395)	(395)		
	Place & Transport					
20P11	Highways	(800)	(800)	(800)	Recharge budget for Highways capital financing costs not required as will be met centrally - offsetting other service pressures	Place Shaping
20P12	Concessionary Fares	(200)	(200)	(200)	Budget adjusted to match expenditure - offsetting other service pressures	Place Shaping
	Total Place & Transport	(1,000)	(1,000)	(1,000)		
	Resources					
20P13	Legal Services	50	50	50	Unfunded solicitor post, previously funded from one-off funding source	Successful, Sustainable Business
20P14	Members Allowances	58	58	58	Rebase of members costs to reflect that no savings arose following the allowances review	Successful, Sustainable Business
20P15	Cash Office	52	52	52	Credit card charges	Successful, Sustainable Business
20P16	Corporate Planning	50	50	50	Income target for external VAT work unachievable due to in-house work pressure	Successful, Sustainable Business
20P17	Finance Business Partnering	80	80	80	Unachievable savings target for work for other local authorities	Successful, Sustainable Business
20P18	IT Strategy	456	361	357	Revenue costs of delivering the IT Strategy	Successful, Sustainable Business
20P19	Business World team resources	53	53	53	Additional staffing requirements for expanded remit	Successful, Sustainable Business
20P20	Hardship Fund	25	25	25	Increase in council tax hardship fund	Successful, Sustainable Business
20P21	Treasury Management	38	38	38	Income not going to be received	Successful, Sustainable Business
	Total Resources	862	767	763		
	Non-Portfolio					
20P22	Capital Financing - Schemes	(190)	650	838	Additional financing costs of capital schemes	Centrally held budgets
20P23	Levies	14	14	14	Increase in levy charges	Centrally held budgets
20P24	Other expenditure and income	(2,415)	(2,915)	(2,415)	Centrally held budget provision - offsetting other service pressures	Centrally held budgets
	Total Non-Portfolio	(2,591)	(2,251)	(1,563)		
	TOTAL PRESSURES	7,221	7,307	9,821		

Proposals that are across portfolios or programmes have been shown in one line above for simplicity of presentation

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Ref	Expenditure Reduction Proposals	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information	Programme
	Adults Portfolio Savings					
20S16	Increasing availability of support and carrying out assessments more quickly to help people to return home after a short stay in residential care on discharge from hospital	34	34	34	Making sure that timely assessments are carried out and suitable care arrangements are put in place as quickly as possible to support someone to return home in line with their and their family's wishes.	Wellbeing
20S17	Making best use of the full range of services that are currently available to support people to live independently in a community setting	370	740	1,110	More people will be better supported to live independently through improved access to support provided by the voluntary sector (for example through the recently launched SO:Linked initiative which includes a community navigation service to link people with support available in the city and their communities); the use of telecare (for example, through the provision of a medication dispenser and an alarm unit); through the delivery of hot meals (for example, from City Catering) or by identifying additional community support by using a new online community resource directory.	Wellbeing
20S18	Expanding the successful reablement service so more people benefit from short term, intensive support	655	1,310	1,986	The current focus is on providing reablement care to people being discharged from hospital, but this proposal will widen this to ensure that it can be offered to people living at home, who approach the council for support for the first time or when their needs change. People who are identified as being most likely to benefit from reablement care will be prioritised for the expanded service. Reablement care is proven in Southampton to support people to lead the life they want to lead without the need for ongoing care. Ongoing care will still be available to those who need it.	Wellbeing
20S19	Occupational Therapy (OT) reviews to identify where equipment can be used to enable care to be provided in the home by one carer	80	80	80	Occupational Therapy review of all care packages needing two carers for moving and, where appropriate, reduce this through training and/or the introduction of new equipment. Clients will continue to receive the care and support needed to meet their needs in full. In the future, this may be through one carer using equipment and the latest techniques.	Wellbeing
20S20	Increased availability of housing with care options ('extra care') across the city	100	480	480	Investing in new extra care housing schemes such as Potter's Court, which will give people more options to live in their own home, as part of a caring community, where their support needs can be met.	Wellbeing
20S21	Ensuring direct payments are being used in accordance with care and support plans to meet care needs	320	320	320	Timely reviews of direct payments to make sure they are being used in the best way.	Wellbeing

Ref	Expenditure Reduction Proposals	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information	Programme
20S22	The provision of better and earlier advice and information on adult social care and community support to meet Care Act 2014 duties, to promote wellbeing and support independence.	150	150	150	Work with Hampshire County Council to implement the web-based advice and information portal 'Connect to Support Hampshire' as an alternative to the current Southampton Information Directory for adult social care. Make full use of the SO:Linked initiative, the new Community Support framework that has been commissioned in Southampton (and is provided by Southampton Voluntary Services, the Alheimers Society, Solent Mind and other organisations) to signpost people to support and develop the support people need to thrive in their communities.	Wellbeing
	Total Adults	1,709	3,114	4,159		
	Aspiration, Children & Life long Learning Savings					
20S23	Developing a 'Level 4' Specialist Foster Care scheme in Southampton	131	131	131	Developing Tier 4 Foster Service.	Wellbeing
20S24	Learning & Development Systems	8	8	8	Children's and Families combining Learning & Development systems.	Wellbeing
	Total Aspiration, Children & Life long Learning	139	139	139		
	Resource Portfolio Savings					
20S25	Council resource review	420	420	420	Review to be implemented in January 2020	Successful, Sustainable Business
20S26	Single Person Discount		347	87	To review entitlements to Council Tax Single Person Discount on a three year rolling programme of a full year review followed by two partial year reviews.	Successful, Sustainable Business
20S27	Up front payments of Council contributions to LGPS Pension Fund	100	100	100	Once a year contribution rather than monthly, with a discount received for early payment. Subject to 2019 Fund Valuation by actuary.	Successful, Sustainable Business
20S28	IDEA including Duplicate Payments	100	75	50	Use IDEA software to identify and reclaim duplicate payments.	Successful, Sustainable Business
20S29	Transfer of land for Council Homes.	150	150	150	When the Housing Revenue Account appropriates land from the general fund for housing, a debt transfer takes place equivalent to the value of the land. This will generate a saving on the servicing of that debt in the general fund.	Centrally Held Budgets
20S30	Progressive removal of on-premise data centre	0	50	50	IT strategy to be implemented, part of digital Plan	Successful, Sustainable Business
20S31	IT asset rationalisation (printers, phones etc)	50	50	50	Reviewing of devices and contract with Vodafone	Successful, Sustainable Business
20S32	Procurement of large scale printing	50	50	50	Panacea system via other Local Authority which would release savings against current contract	Successful, Sustainable Business
20S33	Improved collection of council tax	157	321	321	Increased debt recovery of council tax due to use of new software system with increased email and text reminders.	Successful, Sustainable Business
20S34	Back office integration / further centralisation of Business Support	40	81	81	Additional efficiencies to be investigated further	Successful, Sustainable Business
20S35	Improving absence management with 2 year investment in targeted additional resource	125	200	250	Absence management	Successful, Sustainable Business

Ref	Expenditure Reduction Proposals	2020/21 Savings £000	2021/22 Savings £000	2022/23 Savings £000	Additional Information	Programme
20S36	Temporary Employment Agency	20	20	20	Creation of SCC Temporary Employment Agency	Successful, Sustainable Business
20S37	Capital Financing	120	940	940	Savings made through borrowing from Public Works Loan Board at a competitive rate for £90M at an interest rate lower than previously assumed in budget figures	Centrally Held Budgets
20S38	Insurance premium	121	121	121	Reduction in insurance premium following retender of contract	Successful, Sustainable Business
	Total resources	1,453	2,925	2,690		
	Cross cutting					
20S39	Procurement contract savings	250	250	250	Target to be allocated across portfolios	Successful, Sustainable Business
	Cross cutting (to be allocated)	250	250	250		
	BUDGET REDUCTIONS TOTAL	3,551	6,428	7,238		
	OVERALL TOTAL	7,605	10,609	11,419		

Proposals that are across portfolios or programmes have been shown in one line above for simplicity of presentation

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Ref	Investments	2020/21 £000	2021/22 £000	2022/23 £000	Additional Information	Programme
	Aspiration, Children & Life Long Learning					
20E1	Year of the child	275	125	125	Supporting the expansion of youth activities and the Feed the Future programme.	Wellbeing
20E2	Intelligent City Strategy	140	125	55	Define our intelligent city strategy & build action plan	Wellbeing
	Total Aspiration, Children & Life long Learning	415	250	180		
	Green City & Environment					
20E3	Green City Charter	298	210	304	Delivery of the Green City Charter commitments	Green City
20E4	Flood defences	46	50	50	Itchen flood defences - phase 1	Place Shaping
	Total Green City & Environment	344	260	354		
	Healthier & Safer City					
20E5	Safer Communities	314	216	162	Project to review the delivery of community engagement and community safety services	Communities, Culture & Homes
	Total Healthier & Safer City	314	216	162		
	Homes & Culture					
20E6	City of Culture	319	27	192	Become a city of culture by 2025	Communities, Culture & Homes
	Total Homes & Culture	319	27	192		
	Leader's Portfolio					
20E7	Global partnerships	20	20	20	Five global partnership agreements signed	Place Shaping
20E8	Southampton Pound	2	2	2	Running the SCC First policy, and developing the Southampton Wealth Building initiative.	Successful, Sustainable Business
20E23	Mayflower Quarter	200			Development of masterplan and delivery of first phase	Successful, Sustainable Business
20E24	Outdoor Sports Centre	100			Temporary solution for Athletics Club during development work	Successful, Sustainable Business
	Total Leaders	322	22	22		
	Place & Transport					
20E9	Local Plan	327	112		People and place planning through local plan	Place Shaping
20E10	Connected Southampton	263	194	114	Connected Southampton 2040 (Local Transport Plan 4)	Place Shaping
20E11	Itchen Bridge	248	286	286	Itchen Bridge payment improved	Place Shaping
20E12	Parks	50	50	50	Engagement officer for parks	Green City
20E13	Car Parks		600	600	Review provision of car parks	Place Shaping
20E14	Cleaner City	500	500	500	Additional street cleaning in our neighbourhoods, Fly-tipping and Litter enforcement activities.	Green City
	Total Place & Transport	1,388	1,742	1,550		
	Resources					
20E15	Client handling	104			Implementation of better client handling (new case management system)	Successful, Sustainable Business
20E16	Connected City		100		Southampton to become a national centre of innovation and investment in place-based technology and data.	Successful, Sustainable Business
20E17	Customer experience	98			Digital customer experience improvement	Successful, Sustainable Business
20E18	Smart Ways of Working	83	39	39	Implementation of smart ways of working model	Successful, Sustainable Business
20E19	Reinvestment in services	185	191	191	Improving surplus generated by our services to reinvest in council services	Successful, Sustainable Business
20E20	Organisational Development	200	200	200	Delivery of the Organisational Development plan	Successful, Sustainable Business
20E21	Maximisation of efficiency	273	45	45	Reducing overheads and streamlining our processes to improve outcomes and services	Successful, Sustainable Business
20E25	Absence management	69	69		Project to reduce sickness absence levels	Successful, Sustainable Business
	Total Resources	1,010	644	475		
	Non-Portfolio					
20E22	Capital Financing	140	1,350	3,162	Additional financing costs of capital investments	Centrally Held Budgets
	Total Non-Portfolio	140	1,350	3,162		
	TOTAL INITIATIVES & INVESTMENTS	4,252	4,511	6,097		

Proposals that are across portfolios or programmes have been shown in one line above for simplicity of presentation

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THE CAPITAL STRATEGY & GENERAL FUND PROGRAMME 2019/20 TO 2024/25																																							
INTRODUCTION																																							
1.	<p>The purpose of this report is to update the Capital Strategy and to inform Council of any major changes in the overall General Fund (GF) Capital Programme for the period of 2019/20 to 2024/25, highlighting the changes in the programme since the last reported position to Cabinet in February 2019. The net result of the changes since the previous report is that the GF programme has increased by £334.26M.</p>																																						
2.	<p>The increased investment follows a fairly cautious capital programme in recent years due to economic uncertainty. In order to deliver the best services and opportunities for the residents of Southampton there is an increasing need to have sustainable investment in the capital programme over the medium term.</p>																																						
3.	<p>Having a clear capital strategy and programme enables service manager's certainty and the ability to respond to changing demands in their services. The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next 5 years.</p>																																						
THE FORWARD CAPITAL PROGRAMME																																							
4.	<p>Table 1 shows a comparison of the latest capital expenditure for the period 2019/20 to 2024/25 compared to the previously reported programme.</p>																																						
<p><u>Table 1 – Programme Comparison</u></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Reported Programme</th> <th style="text-align: right;">2019/20 £M</th> <th style="text-align: right;">2020/21 £M</th> <th style="text-align: right;">2021/22 £M</th> <th style="text-align: right;">2022/23 £M</th> <th style="text-align: right;">2023/24 £M</th> <th style="text-align: right;">2024/25 £M</th> <th style="text-align: right;">Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td style="text-align: right;">88.09</td> <td style="text-align: right;">319.02</td> <td style="text-align: right;">121.98</td> <td style="text-align: right;">139.31</td> <td style="text-align: right;">43.42</td> <td style="text-align: right;">16.95</td> <td style="text-align: right;">728.77</td> </tr> <tr> <td>Previous</td> <td style="text-align: right;">88.09</td> <td style="text-align: right;">249.71</td> <td style="text-align: right;">15.00</td> <td style="text-align: right;">41.51</td> <td style="text-align: right;">0.20</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">394.51</td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">69.31</td> <td style="text-align: right;">106.98</td> <td style="text-align: right;">97.80</td> <td style="text-align: right;">43.22</td> <td style="text-align: right;">16.95</td> <td style="text-align: right;">334.26</td> </tr> </tbody> </table> <p style="text-align: right; margin-top: 5px;"><i>NB: Tables include rounded figures</i></p>								Reported Programme	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M	Latest	88.09	319.02	121.98	139.31	43.42	16.95	728.77	Previous	88.09	249.71	15.00	41.51	0.20	0.00	394.51	Variance	0.00	69.31	106.98	97.80	43.22	16.95	334.26
Reported Programme	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M																																
Latest	88.09	319.02	121.98	139.31	43.42	16.95	728.77																																
Previous	88.09	249.71	15.00	41.51	0.20	0.00	394.51																																
Variance	0.00	69.31	106.98	97.80	43.22	16.95	334.26																																
5.	<p>Table 2 below details the General Fund Capital Programme by Portfolio and shows an increase of £334.26M to £728.77M.</p>																																						
6.	<p>Paragraphs 14-28 and annex 2.1 summarise the changes by individual portfolio programmes to new schemes and changes to existing schemes.</p>																																						

Appendix 2

CHANGES TO THE PROGRAMME			
7.	<u>Table 2 – Changes in Portfolio Programmes</u>		
	Latest Programme £M	Previous Programme £M	Total Change £M
	Adult Care	1.14	1.14
	Aspiration, Children and Lifelong Learning	125.91	89.65
	Green City	21.00	0.00
	Healthier and Safer City	10.84	10.84
	Homes and Culture	20.09	2.52
	Leader	64.33	31.43
	Place and Transport	269.41	51.22
	Resources	216.05	207.71
	General Fund Programme	728.77	394.51
			334.26
	<i>NB: Tables include rounded figures</i>		
8.	<p>The net addition is £334.26M to the overall programme, arising from the approvals sought from paragraphs 9, 10 and 11 below and as detailed in annex 2.1. New additions total £349.94M and are offset by reductions to the programme of £15.68M.</p> <p>Details of the major projects are given in paragraphs 14-28. Annex 2.1 shows that a number of major projects being added to the programme are subject to a full business case (FBC) being completed and therefore approval to spend will be sought via the appropriate delegation, these total £320.46M.</p>		
9.	Approval is sought for the addition of £320.46M to the capital programme, to be funded as set out in annex 2.1. Approval to spend will be sought once the projects have been fully developed and FBCs produced.		
10.	Approval is sought for the addition and spend of £29.48M to the GF programme to be funded as set out in annex 2.1.		
11.	Approval is sought for the reduction of £15.68M to the GF capital programme, as set out in annex 2.1. The funding for these schemes will be used to finance new additional projects.		
12.	As part of the appraisal process, all projects were assessed to ensure that they meet the objective of the Council and align the 5 key programme areas. Table 3 summarises the items of major spend by programme.		

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13.	Table 3 – Major Schemes by Programme							
Programme	Major Project	2019/ 20 £M	2020/ 21 £M	2021/ 22 £M	2022/ 23 £M	2023/ 24 £M	2024/ 25 £M	
Communities culture & homes	Community Safety	1.83	3.76	2.25	0.00	0.00	0.00	
	City of Culture	0.00	0.26	0.25	0.00	0.00	0.00	
	Arts & Heritage	0.23	1.60	0.00	0.00	0.00	0.00	
	Sport & Recreation	0.00	0.75	0.00	0.00	0.00	0.00	
	Outdoor Leisure	0.00	0.15	4.40	8.15	4.10	0.05	
	Estate Improvements	1.05	0.30	0.00	0.00	0.00	0.00	
	Supporting Independent Living	0.53	0.80	0.32	0.00	0.00	0.00	
	Other	0.05	0.72	0.00	0.00	0.00	0.00	
Green City	Green City Charter	0.00	5.00	4.00	4.00	4.00	4.00	
	Open Spaces	0.00	0.16	0.35	0.00	0.00	0.00	
	Play Area Improvements	0.46	0.90	0.00	0.00	0.00	0.00	
	Parks Development Works	0.29	1.39	0.00	0.00	0.00	0.00	
	Solar Powered Bins	0.15	0.85	0.00	0.00	0.00	0.00	
	Other	0.28	0.01	0.00	0.00	0.00	0.00	
Place Shaping	Bridges Programme	0.97	0.44	0.00	0.00	0.00	0.00	
	Highways Programme	11.80	9.62	7.20	7.80	7.80	7.80	
	Integrated Transport	17.31	8.56	0.90	5.90	0.00	0.00	
	Fleet Investment	1.59	6.70	2.36	2.00	2.00	2.00	
	Flood Risk Management	0.02	0.98	0.00	0.00	0.00	0.00	
	Connected Southampton	0.00	40.67	50.10	41.46	22.00	1.50	
	Additional Pavements	0.00	0.50	0.50	0.50	0.50	0.50	
	Bitterne Community Hub	0.24	0.30	32.60	0.00	0.00	0.00	
	Heart of the City	1.81	1.63	0.00	0.00	0.00	0.00	
Other	0.78	1.53	0.00	0.00	0.00	0.00		
Successful sustainable business	Digital & IT	5.33	2.55	0.00	0.00	0.00	0.00	
	Resources	1.55	0.80	0.00	0.00	0.00	0.00	
	Smarter Ways of Working	0.00	2.15	1.00	1.00	1.00	1.00	
	Property Investment Fund	20.13	180.12	0.11	26.70	0.00	0.00	
Wellbeing	Early Years Expansion	0.30	0.23	0.23	0.23	0.00	0.00	
	Primary Review & Expansion	9.15	0.49	0.03	0.04	0.00	0.00	
	School Capital Maintenance	3.04	2.68	2.00	2.00	1.92	0.00	
	Secondary Review & Expansion	8.08	40.58	11.56	0.00	0.00	0.00	
	Newlands Hearing Centre	0.00	0.49	0.60	0.02	0.00	0.00	
	SEND Review & Expansion	0.00	0.00	0.00	39.00	0.00	0.00	
	Childrens Services - Residential/Ass'ment Unit	0.00	1.05	1.06	0.40	0.00	0.00	
	Health & Adult Social Care	0.54	0.20	0.10	0.10	0.10	0.10	
	Other	0.58	0.10	0.05	0.00	0.00	0.00	
	TOTAL	88.09	319.02	121.98	139.31	43.42	16.95	

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MAJOR PROGRAMME CHANGES	
<u>Aspiration, Children and Lifelong Learning Portfolio - £36.26M Increase</u>	
14.	<p>Newlands School Hearing Impaired Unit (£1.11M addition)</p> <p>A new provision for severely or profoundly hearing impaired children within an inclusive setting. The plan is for the resource base to be open in September 2021. This will be a dedicated unit, equipped to support our young people. This will be funded by council resources, unless suitable government grant funding can be obtained.</p>
15.	<p>Schools Condition Allocation (£7.92M addition)</p> <p>Following recent school condition surveys a programme of works has been identified to ensure suitable, safe learning environments for every child. This will be fully funded by government grant.</p>
16.	<p>SEND Review (£39.00M addition)</p> <p>The Children's and Families Act 2014 has introduced Education, Health and Care Plans. These replace the Statement of Special Education Needs. As a consequence the number of children with Special Education Needs has increased significantly both nationally and in Southampton. There is an immediate and significant pressure on SEND provision in the City. The existing provision is at capacity and as a consequence the City Council is having to use independent places to meet this demand at significant cost. A significant proportion of these places are outside of the City. This pressure is acute in the secondary sector. This project will redesign the SEND provision in the City to provide quality places, by maximising existing resources and expanding where necessary. At this stage of the project approval is sought for the addition to the programme; works will not commence until a full business case has been reported to Council Management Team and Cabinet. This will be funded by council resources, unless suitable government grant funding can be obtained.</p>
17.	<p>Children's Services - Residential/ Assessment Unit (£2.51M addition)</p> <p>This project will provide Council owned and managed children's residential care provision on a medium to long term basis as well as providing emergency and assessment care. The current residential need indicates that this service is best provided in-house rather than in the private market. The weekly cost of children's home provision is rising, particularly when additional therapeutic packages are required.</p> <p>Additionally the residential assessment units will be able to prevent children coming into emergency residential placements and there will be significant cost avoidance savings.</p> <p>This will be funded by council resources.</p>

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	<u>Green City - £21.00M Increase</u>
18.	<p>Green City Charter Initiatives (£21.00M addition)</p> <p>The delivery of the Green City Charter commitments will require both revenue and capital funding. It is recognised that with this being a central government priority, as with air quality, significant funding pots are likely to be made available to support sustainability and climate change initiatives into the future. As well as delivering some short term initiatives the council will need to do the analysis and prioritisation necessary to develop viable business cases to facilitate successful bids once funding pots are made available; these will be reported to senior management and Cabinet as appropriate.</p>
	<u>Homes & Culture - £17.57M Increase</u>
19.	<p>Outdoor Leisure (£16.85M addition)</p> <p>The Outdoor Sports Centre is the city's main venue for outdoor sports provision. The facility was built in the 1930s and whilst there has been some investment it needs a significant refurbishment to meet the sporting needs of the city but also to play its role in improving the health of the city. There has been significant public consultation in recent years and this has clarified the priorities for the site; working in partnership with the Football Foundation and Sport England. This will be funded by contributions and council resources.</p>
	<u>Leader - £32.90M Increase</u>
20.	<p>Bitterne Community Hub (£32.90M addition)</p> <p>This project involves the delivery of a community hub in Bitterne. This will be a community facing provision including leisure, library and health services and facilities and potentially other services; replacing an aged library and leisure centre. The aim is to benefit from synergies of integrated working, economies of scale, improved service provision targeted at a deprived area of the city and to help sustain the local District Centre. Work is being undertaken to finalise the funding for the project, currently it will be council resources which will be offset by an additional income generated.</p>
	<u>Place & Transport - £218.20M Increase</u>
21.	<p>Connected Southampton (£155.73M addition)</p> <p>Following the adoption of the Council's Local transport Plan 4 (Connected Southampton 2040), the council has established a clear strategy to ensure the city and wider city region is connected and supports strong a sustainable economic growth of the city and Solent sub-region, whilst supporting the Green City Charter. The Council is embarking on the development of a major transport infrastructure project pipeline alongside streamlining its own transport functions that will deliver efficiencies and quality service provision. The key sub-programmes that define the Connected Southampton 2040 Project which define the medium implementation plan to 2025 are:</p> <ul style="list-style-type: none"> (1) Transforming Cities Fund (TCF) - A transport infrastructure programme (£110M) focussed on changing the way people travel to support the uptake in more sustainable travel options - walking, cycling and public transport. (2) Northam Rail Bridge (£46M) - A major highway infrastructure project.

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	(3) SCC Transport Review - Council wide review of all SCC transport service provision and workplace related operational transport use. To identify efficiencies, savings and service enhancements (no capital spend required).
22.	<p>Highways Programme (£36.00M addition)</p> <p>This addition is to maintain the rolling programme of investment into the City's highways network. Works will be funded by Government grants and council resources.</p>
23.	<p>Play Park & Open Spaces (£1.20M addition)</p> <p>Following an audit of all 97 play sites across the City, this project plans to prioritise the 15 most in need of refurbishment works. It is anticipated this will take place over 2 years, work will then be undertaken on the remaining parks & open spaces across the City. The programme will not generate any savings on existing budgets, but upgrading play equipment will minimise the risk of pressure building on future years' maintenance budgets and encourage use of these facilities, promoting better health and wellbeing. This will be funded by contributions and council resources.</p>
24.	<p>Integrated Transport Programme (£9.20M addition)</p> <p>Following grant bids to central government, there is often a requirement to provide 'Match funding'. The following projects will be subject to this commitment from the Council before the project can proceed:</p> <ul style="list-style-type: none"> (1) Adanac Park (Frogmore Lane)– Park & Ride scheme will require additional highways works (£1M); (2) West Quay Road Realignment (£0.50M) – to improve access to the port and enhance the proposed new development on the Leisure World site. Future development of a wider scheme is estimated at £50M, with a potential contribution of £10M from the Council, for which approval will be sought at a later stage once the bid outcome is known. Construction estimated to start no earlier than 2023/24. (3) Transforming Cities Fund – If the grant determination from DfT is at the high or medium level of the bid there will be an obligation for SCC to fund £900k in each of the next three years (£2.70M). (4) Mayflower Quarter public realm improvements (£5.00M) <p>This will be funded by Council resources.</p>
25.	<p>Additional Pavement Investment (£2.50M addition)</p> <p>Investment of £0.50M per annum to improve pavement infrastructure across the City, to be funded by CIL contributions.</p>
26.	<p>Fleet Investment (£12.17M addition)</p> <p>To introduce a vehicle replacement programme for the next 5 years, to ensure that there is sustainable service delivery. Currently, there is no programmed replacement strategy and a number of vehicles have passed their expected useful life. This is generating overspends on fuel, damage and repair costs and, in some cases, external lease costs to cover for failed vehicles. This will be funded by Council resources.</p>
	<u>Resources - £8.33M Increase</u>
27.	<p>Smart Ways Of Working (SWoW) (£6.15M addition)</p>

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	<p>SWoW is a programme (made up of several projects) which is changing the way we work. It includes projects to change the physical IT we use, including software, the environment we work in and the way we use the spaces available for us to work.</p> <p>SWoW will ensure we have flexibility, modern working environments and technology for today's working culture. More importantly the full programme will support employee wellbeing.</p> <p>This will be funded by Council resources.</p>																														
28.	<p>IT Investment (£1.72M addition)</p> <p>Following a period of reduced investment in IT infrastructure, the plan is to undertake projects which are critical to service delivery within the next year. A full 5 year programme is currently being compiled, once it has been fully appraised and prioritised it will be presented to members for addition to the capital programme in the future. This will be funded by Council resources.</p>																														
	CAPITAL RESOURCES																														
29.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Council Resources – Borrowing; • Council Resources - Capital Receipts from the sale of HRA assets; • Council Resources - Capital Receipts from the sale of General Fund assets; • Contributions from third parties; • Central Government Grants and from other bodies; and • Direct Revenue Financing. 																														
30.	<p>Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Sustainability Portfolio.</p>																														
31.	<p>It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However in 2019/20 those grants have been passported to these areas. These assumptions will be monitored closely and any updates reported as part on the monthly monitoring process; should any grants not materialise then the projects affected will need to be reconsidered.</p>																														
32.	<p>Table 4 shows the current level of available resources.</p> <p>Table 4 – Available Capital Funding</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Resource</th> <th style="text-align: center;">Balance B/Fwd £M</th> <th style="text-align: center;">Received to Date 2019/20 £M</th> <th style="text-align: center;">Allocated To Current Programme £M</th> <th style="text-align: center;">Available Funding £M</th> <th style="text-align: center;">Anticipated Receipts 2019/20 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td style="text-align: right;">(7.57)</td> <td style="text-align: right;">(1.72)</td> <td style="text-align: right;">11.20</td> <td style="text-align: right;">1.91</td> <td style="text-align: right;">(2.33)</td> </tr> <tr> <td>CIL</td> <td style="text-align: right;">(12.59)</td> <td style="text-align: right;">(4.13)</td> <td style="text-align: right;">7.11</td> <td style="text-align: right;">(9.61)</td> <td style="text-align: right;">(0.50)</td> </tr> <tr> <td>S106</td> <td style="text-align: right;">(8.87)</td> <td style="text-align: right;">(0.53)</td> <td style="text-align: right;">9.03</td> <td style="text-align: right;">(0.37)</td> <td style="text-align: right;">(0.15)</td> </tr> <tr> <td></td> <td style="text-align: right;">(29.03)</td> <td style="text-align: right;">(6.38)</td> <td style="text-align: right;">27.34</td> <td style="text-align: right;">(8.07)</td> <td style="text-align: right;">(2.98)</td> </tr> </tbody> </table>	Resource	Balance B/Fwd £M	Received to Date 2019/20 £M	Allocated To Current Programme £M	Available Funding £M	Anticipated Receipts 2019/20 £M	Capital Receipts	(7.57)	(1.72)	11.20	1.91	(2.33)	CIL	(12.59)	(4.13)	7.11	(9.61)	(0.50)	S106	(8.87)	(0.53)	9.03	(0.37)	(0.15)		(29.03)	(6.38)	27.34	(8.07)	(2.98)
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Appendix 2

33.	The table shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. There are a number of potential large scale infrastructure projects in the future that could utilise this funding, for example flood defence infrastructure.																				
34.	Funding for the capital programme has previously been heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the economic climate has increased the Council's risk in this area. To reduce this risk properties that are not yet on the market have been removed from the assumptions of what is available to fund the programme.																				
35.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been no movement since the last reported position.																				
36.	<p><u>Table 5 – General Fund Capital Receipts Estimates</u></p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Forecast</th> <th>B/Fwd £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td style="text-align: center;">7.57</td> <td style="text-align: center;">4.05</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">11.62</td> </tr> <tr> <td>Previous</td> <td style="text-align: center;">7.57</td> <td style="text-align: center;">4.05</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">11.62</td> </tr> <tr> <td>Variance</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">0.00</td> </tr> </tbody> </table> <p>*No further receipts from 2020/21 to 2024/25</p>	Forecast	B/Fwd £M	2019/20 £M	2020/21 £M	Total £M	Latest	7.57	4.05	0.00	11.62	Previous	7.57	4.05	0.00	11.62	Variance	0.00	0.00	0.00	0.00
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OVERALL CAPITAL PROGRAMME																					
37.	Tables 6 and 7 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2024/25. Annex 2.2 provides details of each portfolios latest programme and the financing of that programme.																				
38.	Table 6 shows that there is large increase in the programme in 2020/21. This one off increase is due to the previously agreed investment in the existing Property Investment Fund of £180M.																				

Appendix 2

39.	<p>Table 6 – Capital Expenditure by Programme</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 65%;"></th> <th style="width: 7.5%; text-align: center;">2019/20 £M</th> <th style="width: 7.5%; text-align: center;">2020/21 £M</th> <th style="width: 7.5%; text-align: center;">2021/22 £M</th> <th style="width: 7.5%; text-align: center;">2022/23 £M</th> <th style="width: 7.5%; text-align: center;">2023/24 £M</th> <th style="width: 7.5%; text-align: center;">2024/25 £M</th> <th style="width: 7.5%; text-align: center;">Total £M</th> </tr> </thead> <tbody> <tr> <td>Adult Care</td> <td style="text-align: right;">0.54</td> <td style="text-align: right;">0.20</td> <td style="text-align: right;">0.10</td> <td style="text-align: right;">0.10</td> <td style="text-align: right;">0.10</td> <td style="text-align: right;">0.10</td> <td style="text-align: right;">1.14</td> </tr> <tr> <td>Aspiration, Children and Lifelong Learning</td> <td style="text-align: right;">21.15</td> <td style="text-align: right;">45.61</td> <td style="text-align: right;">15.54</td> <td style="text-align: right;">41.69</td> <td style="text-align: right;">1.92</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">125.91</td> </tr> <tr> <td>Green City</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">5.00</td> <td style="text-align: right;">4.00</td> <td style="text-align: right;">4.00</td> <td style="text-align: right;">4.00</td> <td style="text-align: right;">4.00</td> <td style="text-align: right;">21.00</td> </tr> <tr> <td>Healthier and Safer City</td> <td style="text-align: right;">3.42</td> <td style="text-align: right;">4.85</td> <td style="text-align: right;">2.57</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">10.84</td> </tr> <tr> <td>Homes and Culture</td> <td style="text-align: right;">0.26</td> <td style="text-align: right;">2.88</td> <td style="text-align: right;">4.65</td> <td style="text-align: right;">8.15</td> <td style="text-align: right;">4.10</td> <td style="text-align: right;">0.05</td> <td style="text-align: right;">20.09</td> </tr> <tr> <td>Leader</td> <td style="text-align: right;">2.23</td> <td style="text-align: right;">2.69</td> <td style="text-align: right;">32.71</td> <td style="text-align: right;">26.70</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">64.33</td> </tr> <tr> <td>Place and Transport</td> <td style="text-align: right;">33.66</td> <td style="text-align: right;">72.58</td> <td style="text-align: right;">61.41</td> <td style="text-align: right;">57.66</td> <td style="text-align: right;">32.30</td> <td style="text-align: right;">11.80</td> <td style="text-align: right;">269.41</td> </tr> <tr> <td>Resources</td> <td style="text-align: right;">26.84</td> <td style="text-align: right;">185.21</td> <td style="text-align: right;">1.00</td> <td style="text-align: right;">1.00</td> <td style="text-align: right;">1.00</td> <td style="text-align: right;">1.00</td> <td style="text-align: right;">216.05</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">88.09</td> <td style="text-align: right;">319.02</td> <td style="text-align: right;">121.98</td> <td style="text-align: right;">139.31</td> <td style="text-align: right;">43.42</td> <td style="text-align: right;">16.95</td> <td style="text-align: right;">728.77</td> </tr> </tbody> </table> <p style="margin-top: 10px;">Table 7 – Use of Resources</p> <table style="width: 100%; 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40.	Table 7 demonstrates that the most significant amount of funding for the General fund programme is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision, which is detailed within the revenue budget.																																																																																																																																								
41.	Every effort will be made to explore external funding opportunities to reduce the need for borrowing. Should grants or contributions be made available to the Council in the future, these will be reported as part of the routine financial monitoring process.																																																																																																																																								
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42.	The Council needs to have a fit for purpose Capital Strategy to ensure that all the Council's priorities are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2019/20 to 2024/25 and this is attached in Annex 2.3.																																																																																																																																								
43.	<p>Within the Prudential Code for Capital Finance in Local Authorities there is a requirement to produce a capital strategy. The guidance outlines a number of key factors which they recommend be included in a capital strategy:</p> <ul style="list-style-type: none"> • The strategy should be formally approved by Council; • Clearly set out the forthcoming capital expenditure of the Council; 																																																																																																																																								

Appendix 2

	<ul style="list-style-type: none"> • There should be a clear link to the treasury management strategy, therefore including prudential indicators; • Focus on commercial activity and associated risks; • Long term impact and liabilities of decisions being undertaken; • Knowledge and skills of responsible officers.
44.	<p>Prudential Indicators are an indication that capital investment planning and the Authority's borrowing decisions are prudent and sustainable.</p> <p>HRA prudential indicators by statute are ring-fenced and are calculated separately. The prudential indicators have been set for the forthcoming period and comprise of three main components relating to:-</p> <ul style="list-style-type: none"> • <u>Capital Expenditure</u> – Estimates of capital Expenditure and capital Financing, Current and Estimated Movement in the capital financing requirement i.e. the Authority's underlying need to borrow; • <u>External Debt</u> – Current and Estimated Movement in Gross debt. Authorised limits for borrowing set by the Authority and the Operational Boundary for total external debt (excluding investments) and separate identification for borrowing against debt and other long term liabilities. Other indicators outline the estimated movement in Borrowing Requirement and loans over the forthcoming five year period; and • <u>Affordability</u> – the Ratio of Financing costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs.
45.	<p>In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. The Council's MRP policy is detailed in Annex 2.3(a), and requires approval as part of this report.</p>
46.	<p>In preparing the capital strategy, the Authority will also take into account:</p> <ul style="list-style-type: none"> • The Council's treasury strategy, approved by Governance on 10th February 2020; • The Council's investment strategy which is detailed in Annex 2.3(b) and requires approval as part of this report.

Annexes	
2.1.	Variations to the General Fund Capital Programme
2.2.	General Fund Capital Programme – Scheme Details
2.3.	Capital Strategy 2019/20 – 2024/25
	2.3(a) MRP Strategy
	2.3(b) Investment Strategy

Appendix 2 - Annex 2.1
VARIATIONS SINCE Q3 CAPITAL MONITORING POSITION

Portfolio	Scheme	£M	Approval to Add Only; Spend Subject to Further Approval	Funding Source	Report (App. 2) Paragraph Ref.
<u>Additions to the Programme</u>					
Aspiration, Schools and Lifelong Learning	Newlands Hearing Centre	1.11	✓	Council Resources	14
	Schools Condition Allocation	7.92		Grant	15
	SEND Review	39.00	✓	Council Resources	16
	Children's Services - Residential/ Assessment Unit	2.51	✓	Council Resources	17
	Maytree School Playground	0.05		Grant	-
	Surestart	0.10		Council Resources	-
		<u>50.69</u>			
Green City	Green City Initiatives	21.00	✓	Council Resources / External Contributions	18
		<u>21.00</u>			
Homes and Culture	City of Culture - VE Day	0.51		Council Resources / External Contributions	-
	Outdoor Leisure	16.85	✓	Council Resources / Capital Receipts / External Contributions / S106 Contributions	19
	Art Gallery Roof	1.40		Council Resources	-
	Heritage Assets Strategy	0.05		DRF	-
		<u>18.81</u>			
Leader	Bitterne Community Hub	32.90	✓	Council Resources / Capital Receipts	20
		<u>32.90</u>			
Place and Transport	Connected Southampton	155.73	✓	Council Resources / Grant	21
	Highways Programme	36.00	✓	Council Resources / Grant	22
	City Services - Depots	0.72		Council Resources	-
	Crematoriums & Cemeteries Upgrade	0.50		Council Resources	-
	Hoarders Project	0.10		Grant	-
	Stoneham Lodge	0.07		Council Resources	-
	Play Parks	0.69		CIL Contributions	23
	Open Spaces	0.51		Council Resources	23
	Transport Schemes	9.20	✓	Council Resources	24
	Additional Pavement Investment	2.50		CIL Contributions	25
	Fleet Investment	12.17		Council Resources	26
		<u>218.20</u>			
Resources	Digital Customer	0.40		Council Resources	-
	Smarter Ways Of Working	6.15	✓	Council Resources	27
	Other PA System	0.06		Council Resources	-
	IT Requirement	1.72		Council Resources / DRF	28
		<u>8.33</u>			
	TOTAL GF ADDITIONS	<u>349.94</u>			

Reductions from the Programme

Aspiration, Schools and Lifelong Learning	Schools Expansion Programme	(14.44)		Council Resources	
Homes and Culture	Arts Gallery Improvements	(0.50)		Council Resources	
	SeaCity Treasure Trove	(0.69)		Council Resources	
	Ancient Scheduled Monuments	(0.05)		DRF	
		<u>(1.24)</u>			
	TOTAL GF REDUCTIONS	<u>(15.68)</u>			

Total Variations to the Overall Programme

* Approved By Full Council	0.00
** Approved By Cabinet	0.00
*** Approved under Delegated Powers	0.00
To be Approved	29.48
✓ Addition Only	320.46
Reduction	(15.68)
	<u>334.26</u>

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ADULT CARE

Scheme No.	Description	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total
		£M	£M	£M	£M	£M	£M	£M
CA0002	32B Kentish Rd Capital Upgrade	0.030	0.000	0.000	0.000	0.000	0.000	0.030
CA0005	Appliances and Equipment	0.004	0.000	0.000	0.000	0.000	0.000	0.004
CA0006	Telecare Equipment	0.500	0.100	0.100	0.100	0.100	0.100	1.000
CA0008	Residential Homes - Care Quality Commissions	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CA0009	Integrated Working	0.000	0.100	0.000	0.000	0.000	0.000	0.100
		0.537	0.200	0.100	0.100	0.100	0.100	1.137
Sources of Finance								
	Council Resources	0.500	0.200	0.100	0.100	0.100	0.100	1.100
	Capital Receipts	0.030	0.000	0.000	0.000	0.000	0.000	0.030
	Direct Revenue	0.007	0.000	0.000	0.000	0.000	0.000	0.007
Total Programme		0.537	0.200	0.100	0.100	0.100	0.100	1.137

ASPIRATION, CHILDREN AND LIFELONG LEARNING

Scheme No.	Description	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total
		£M						
CAP13	Newlands Hearing Centre	0.000	0.485	0.601	0.023	0.000	0.000	1.109
CAP14	Schools Condition Allocation	0.000	2.000	2.000	2.000	1.921	0.000	7.921
CAP15	SEND Review	0.000	0.000	0.000	39.000	0.000	0.000	39.000
CAP24	Children's Services - Residential Unit	0.000	0.392	0.395	0.400	0.000	0.000	1.187
CAP25	Children's Services - Assessment Unit	0.000	0.659	0.665	0.000	0.000	0.000	1.324
CAP26	Maytree School Playground	0.000	0.050	0.000	0.000	0.000	0.000	0.050
CAP29	Surestart Upgrades	0.000	0.050	0.050	0.000	0.000	0.000	0.100
CC0002	Primary Review P2 - Valentine Primary School	1.491	0.000	0.000	0.000	0.000	0.000	1.491
CC0004	Primary Review P2 - Fairisle Junior	0.627	0.425	0.030	0.000	0.000	0.000	1.082
CC0007	Portswood Primary Expansion	0.018	0.000	0.000	0.000	0.000	0.000	0.018
CC0008	Springwell School - Main Expansion	3.922	0.000	0.000	0.000	0.000	0.000	3.922
CC0010	Springhill Primary Academy School	0.000	0.000	0.000	0.039	0.000	0.000	0.039
CC0013	Thornhill Expansion	0.030	0.000	0.000	0.000	0.000	0.000	0.030
CC0014	St Denys	2.408	0.060	0.000	0.000	0.000	0.000	2.468
CC0017	Solar PV Resources Project	0.102	0.000	0.000	0.000	0.000	0.000	0.102
CC0018	Renewable Heat Incentive	0.005	0.000	0.000	0.000	0.000	0.000	0.005
CC0020	R&M Programme for School	1.909	0.440	0.000	0.000	0.000	0.000	2.349
CC0021	Early Years Expansion Programme	0.304	0.231	0.231	0.231	0.000	0.000	0.997
CC0023	St Mark's School	1.000	28.690	9.760	0.000	0.000	0.000	39.450
CC0025	Schools Devolved Capital	0.450	0.000	0.000	0.000	0.000	0.000	0.450
CC0026	Mayfield Academy	0.004	0.000	0.000	0.000	0.000	0.000	0.004
CC0027	Lordshill Academy	0.121	0.000	0.000	0.000	0.000	0.000	0.121
CC0029	Bitterne Park Secondary	0.193	0.000	0.000	0.000	0.000	0.000	0.193
CC0030	Bitterne Park Autism Resource Base	0.638	0.000	0.000	0.000	0.000	0.000	0.638
CC0032	School Access Initiative	0.030	0.019	0.000	0.000	0.000	0.000	0.049
CC0033	St George's School ESFA	0.877	1.000	0.000	0.000	0.000	0.000	1.877
CC0034	Sholing Technical College Renovation	2.464	0.000	0.000	0.000	0.000	0.000	2.464
CC0035	Regent Park Expansion	2.000	0.961	0.000	0.000	0.000	0.000	2.961
CC0036	Asbestos	0.050	0.000	0.000	0.000	0.000	0.000	0.050
CC0037	St George's Expansion	0.200	1.768	0.400	0.000	0.000	0.000	2.368
CC0038	Cantell School Expansion	0.440	0.760	0.000	0.000	0.000	0.000	1.200
CC0039	Chamberlayne Refurbishment	0.272	6.000	1.400	0.000	0.000	0.000	7.672
CC0040	Weston Shore Infants New Roof	0.712	0.000	0.000	0.000	0.000	0.000	0.712
CC0041	Healthy Pupil Capital Fund	0.150	0.000	0.000	0.000	0.000	0.000	0.150
CC0042	Sure Start Sholing Year R Springwell	0.250	0.000	0.000	0.000	0.000	0.000	0.250
CC0043	Great Oaks (Additional Interim Capacity & Improvement works)	0.370	0.000	0.000	0.000	0.000	0.000	0.370
CC0043	Great Oaks (City Farm Improvements)	0.035	0.000	0.000	0.000	0.000	0.000	0.035
CC0044	Regent Park Sports Facility	0.000	1.400	0.000	0.000	0.000	0.000	1.400
CC0046	Bitterne Park Cricket Nets	0.031	0.000	0.000	0.000	0.000	0.000	0.031
CC0047	Mount Pleasant Junior School	0.050	0.220	0.000	0.000	0.000	0.000	0.270
		21.153	45.610	15.532	41.693	1.921	0.000	125.909
Sources of Finance								
	Council Resources	9.175	19.022	13.271	39.423	0.000	0.000	80.891
	Capital Receipts	0.712	0.000	0.000	0.000	0.000	0.000	0.712
	Central Govt Grants	11.266	26.588	2.261	2.270	1.921	0.000	44.306
Total Programme		21.153	45.610	15.532	41.693	1.921	0.000	125.909

Scheme No.	Description	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Total £M
CAP3	Green City - Salix Clean Growth Fund	0.000	4.000	4.000	4.000	4.000	4.000	20.000
CAP3A	Green City - Action Plan	0.000	1.000	0.000	0.000	0.000	0.000	1.000
		0.000	5.000	4.000	4.000	4.000	4.000	21.000
Sources of Finance								
	Council Resources	0.000	3.000	2.000	2.000	2.000	2.000	11.000
	Contributions	0.000	2.000	2.000	2.000	2.000	2.000	10.000
	Total Programme	0.000	5.000	4.000	4.000	4.000	4.000	21.000

HEALTHIER AND SAFER CITY

Scheme No.	Description	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Total £M
CA0003	S106 - Centenary Quay	0.020	0.000	0.000	0.000	0.000	0.000	0.020
CT0025	Insulation and Fuel Poverty Initiatives	0.020	0.000	0.000	0.000	0.000	0.000	0.020
CT0027	Disabled Facilities Grants - Approved Adaptations	1.536	3.513	2.000	0.000	0.000	0.000	7.049
CT0028	Disabled Facilities Grants - Support Costs	0.295	0.250	0.250	0.000	0.000	0.000	0.795
CT0029	Support for Estate Regeneration	0.932	0.000	0.000	0.000	0.000	0.000	0.932
CT0030	Estate Parking Improvements	0.116	0.115	0.000	0.000	0.000	0.000	0.231
CT0068	Warm Homes	0.500	0.786	0.318	0.000	0.000	0.000	1.604
CT0072	S106 - Affordable Homes - Unallocated	0.000	0.180	0.000	0.000	0.000	0.000	0.180
CT0073	S106 - CCTV - Unallocated	0.000	0.005	0.000	0.000	0.000	0.000	0.005
		3.419	4.849	2.568	0.000	0.000	0.000	10.836
Sources of Finance								
	Capital Receipts	0.250	0.250	0.250	0.000	0.000	0.000	0.750
	Contributions	1.221	0.406	0.053	0.000	0.000	0.000	1.680
	Central Govt Grants	1.612	3.850	2.038	0.000	0.000	0.000	7.500
	Other Grants	0.336	0.343	0.227	0.000	0.000	0.000	0.906
	Total Programme	3.419	4.849	2.568	0.000	0.000	0.000	10.836

HOMES AND CULTURE

Scheme No.	Description	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Total £M
CAP1	City of Culture - VE Day	0.000	0.260	0.250	0.000	0.000	0.000	0.510
CAP11	Outdoor Leisure	0.000	0.150	4.400	8.150	4.100	0.050	16.850
CAP23	Art Gallery Roof	0.000	1.400	0.000	0.000	0.000	0.000	1.400
CAP28	Heritage assets - Strategy	0.000	0.050	0.000	0.000	0.000	0.000	0.050
CG0131	Water ingress repairs project at Westgate & Tudor House	0.020	0.000	0.000	0.000	0.000	0.000	0.020
CG0135	God's House Tower	0.200	0.000	0.000	0.000	0.000	0.000	0.200
CG0136	Ancient Scheduled Monuments	0.000	0.150	0.000	0.000	0.000	0.000	0.150
CG0137	Tudor House Museum Phase 1	0.000	0.005	0.000	0.000	0.000	0.000	0.005
CG0138	Sections 106 Playing Field Improvement	0.000	0.071	0.000	0.000	0.000	0.000	0.071
CG0139	Outdoor Sports Centre Improvements	0.000	0.442	0.000	0.000	0.000	0.000	0.442
CG0140	Art in Public Places – Millbrook and Weston	0.013	0.000	0.000	0.000	0.000	0.000	0.013
CG0142	Tudor House Museum Phase 2 Implementation	0.030	0.000	0.000	0.000	0.000	0.000	0.030
CG0143	Woolston Library	0.000	0.064	0.000	0.000	0.000	0.000	0.064
CG0201	S106 - Playing Fields - Unallocated	0.000	0.234	0.000	0.000	0.000	0.000	0.234
CG0202	S106 - Art in Public Spaces - Unallocated	0.000	0.036	0.000	0.000	0.000	0.000	0.036
CG0203	S106 - City Walls - Unallocated	0.000	0.014	0.000	0.000	0.000	0.000	0.014
		0.263	2.876	4.650	8.150	4.100	0.050	20.089
Sources of Finance								
	Council Resources	0.020	1.629	1.300	5.400	3.100	0.050	11.499
	Capital Receipts	0.200	0.000	0.250	0.000	0.000	0.000	0.450
	Contributions	0.013	1.022	3.100	2.750	1.000	0.000	7.885
	Other Grants	0.030	0.025	0.000	0.000	0.000	0.000	0.055
	Direct Revenue	0.000	0.200	0.000	0.000	0.000	0.000	0.200
	Total Programme	0.263	2.876	4.650	8.150	4.100	0.050	20.089

LEADER

Scheme No.	Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
		£M	£M	£M	£M	£M	£M	£M
CAP2	Bitterne Community Hub	0.000	0.300	32.604	0.000	0.000	0.000	32.904
CG0004	QE2 Mile - Bargate Square	0.000	0.960	0.000	0.000	0.000	0.000	0.960
CG0145	Bitterne Public Services Hub	0.243	0.000	0.000	0.000	0.000	0.000	0.243
CG0147	Enterprise Centre	0.056	0.000	0.000	0.000	0.000	0.000	0.056
CG0148	Town Depot	0.025	0.206	0.000	0.000	0.000	0.000	0.231
CG0149	Royal Pier	0.010	0.396	0.000	0.000	0.000	0.000	0.406
CG0150	Mayflower Park Spitfire Memorial	0.000	0.012	0.000	0.000	0.000	0.000	0.012
CG0151	West Quay Phase 3 Watermark West Quay	0.070	0.334	0.000	0.000	0.000	0.000	0.404
CG0152	West Quay Phase 3 Site B	0.025	0.040	0.000	0.000	0.000	0.000	0.065
CG0193	Former Toys R Us Site Development	0.070	0.120	0.110	26.700	0.000	0.000	27.000
CG0204	S106 - QE2 Mile - Unallocated	0.000	0.300	0.000	0.000	0.000	0.000	0.300
CG0205	S144 Contract Completion	1.710	0.000	0.000	0.000	0.000	0.000	1.710
CT0003	Lighting Upgrades Salix Works	0.021	0.020	0.000	0.000	0.000	0.000	0.041
		2.230	2.688	32.714	26.700	0.000	0.000	64.332
Sources of Finance								
	Council Resources	1.174	2.227	31.479	26.700	0.000	0.000	61.580
	Capital Receipts	1.000	0.000	1.235	0.000	0.000	0.000	2.235
	Contributions	0.056	0.461	0.000	0.000	0.000	0.000	0.517
Total Programme		2.230	2.688	32.714	26.700	0.000	0.000	64.332

PLACE AND TRANSPORT

Scheme No.	Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
		£M						
CAP4	Connected Southampton	0.000	40.670	50.099	41.464	22.000	1.500	155.733
CAP6	Highways Programme	0.000	5.800	6.800	7.800	7.800	7.800	36.000
CAP16	City Services - Depots	0.000	0.720	0.000	0.000	0.000	0.000	0.720
CAP17	Crematoriums & Cemeteries Upgrade	0.000	0.500	0.000	0.000	0.000	0.000	0.500
CAP18	Hoarders Project	0.000	0.100	0.000	0.000	0.000	0.000	0.100
CAP19	Stoneham Lodge	0.000	0.068	0.000	0.000	0.000	0.000	0.068
CAP20	Play Parks (high priority as part of Leader initiatives)	0.000	0.690	0.000	0.000	0.000	0.000	0.690
CAP21	Open Spaces (and remaining play parks)	0.000	0.160	0.350	0.000	0.000	0.000	0.510
CAP22	Transport Schemes Match Funding	0.000	2.400	0.900	5.900	0.000	0.000	9.200
CAP27	Pavements	0.000	0.500	0.500	0.500	0.500	0.500	2.500
CAP30	Fleet	0.000	3.803	2.364	2.000	2.000	2.000	12.167
CG0001	Itchen Masterplan	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CG0002	Mobile Working	0.024	0.024	0.000	0.000	0.000	0.000	0.048
CG0003	Improved Safety – Engineering	0.046	0.000	0.000	0.000	0.000	0.000	0.046
CG0005	Road Safety Partnership	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CG0006	Cycling	5.463	1.953	0.000	0.000	0.000	0.000	7.416
CG0008	Public Transport	3.079	0.290	0.000	0.000	0.000	0.000	3.369
CG0009	Improved Safety	0.099	0.374	0.000	0.000	0.000	0.000	0.473
CG0010	Travel to School	0.258	0.134	0.000	0.000	0.000	0.000	0.392
CG0011	Workplace Travel Plan Measures	0.015	0.000	0.000	0.000	0.000	0.000	0.015
CG0012	School Travel Plan Measures	0.038	0.000	0.000	0.000	0.000	0.000	0.038
CG0013	Accessibility	0.121	0.450	0.000	0.000	0.000	0.000	0.571
CG0015	Station Boulevard	0.051	0.000	0.000	0.000	0.000	0.000	0.051
CG0016	Local Transport Improvement Fund	0.295	0.300	0.000	0.000	0.000	0.000	0.595
CG0017	Intelligent Transport Systems	5.805	1.845	0.000	0.000	0.000	0.000	7.650
CG0021	Urban Freight Strategy - Delivery Service Plans	0.000	0.047	0.000	0.000	0.000	0.000	0.047
CG0022	Hospital Access Improvements (Coxford Road)	0.162	0.000	0.000	0.000	0.000	0.000	0.162
CG0023	Thomas Lewis Way/Stoneham Lane	0.133	0.000	0.000	0.000	0.000	0.000	0.133
CG0024	Electric Vehicle Action Plan	0.749	0.300	0.000	0.000	0.000	0.000	1.049
CG0025	Cooperative Intelligent Transport Systems - Bluetooth	0.001	0.000	0.000	0.000	0.000	0.000	0.001
CG0026	Additional Roads Programme	2.582	0.000	0.000	0.000	0.000	0.000	2.582
CG0027	Essential Highways Minor Works	0.050	0.000	0.000	0.000	0.000	0.000	0.050
CG0028	Pothole Action Fund	0.182	0.000	0.000	0.000	0.000	0.000	0.182
CG0029	Cycleways Improvements Programme	0.100	0.000	0.000	0.000	0.000	0.000	0.100
CG0030	Anti-Terrorist Measures	0.554	0.000	0.000	0.000	0.000	0.000	0.554
CG0031	Major Cycle Route Signage	0.040	0.000	0.000	0.000	0.000	0.000	0.040
CG0032	WCR: Phase 2 – 2nd Ave	0.086	0.000	0.000	0.000	0.000	0.000	0.086
CG0033	Eastern strategic cycle route development	0.021	0.035	0.000	0.000	0.000	0.000	0.056
CG0034	NCR: Ave East Lodge Rd – Dorset St	0.010	0.092	0.000	0.000	0.000	0.000	0.102
CG0036	Bitterne Park Triangle	0.155	0.000	0.000	0.000	0.000	0.000	0.155
CG0037	Bus Lane & Traffic Enforcement	0.071	0.000	0.000	0.000	0.000	0.000	0.071
CG0038	Bus Corridor Minor Works	0.077	0.249	0.000	0.000	0.000	0.000	0.326
CG0039	Millbrook Roundabout Highway Capacity Improvements	0.373	0.000	0.000	0.000	0.000	0.000	0.373
CG0040	Northam Rail Bridge and corridor improvements	0.052	0.090	0.000	0.000	0.000	0.000	0.142
CG0042	Other Bridge Works	0.971	0.240	0.000	0.000	0.000	0.000	1.211
CG0045	Various Principal	1.174	0.000	0.000	0.000	0.000	0.000	1.174
CG0046	Classified Roads	0.917	0.000	0.000	0.000	0.000	0.000	0.917
CG0048	Millbrook Roundabout Detailed Design	1.815	0.000	0.000	0.000	0.000	0.000	1.815
CG0049	Unclassified Roads	1.370	0.000	0.000	0.000	0.000	0.000	1.370
CG0050	Footways - Various Treatments	0.325	0.325	0.000	0.000	0.000	0.000	0.650

		Appendix 2 - Annex 2.2						
		2019/20 - 2024/25 Capital Programme - Scheme Detail						
CG0051	Highways Network Delivery	0.537	0.000	0.000	0.000	0.000	0.000	0.537
CG0052	Highways Drainage Investigations	0.281	0.000	0.000	0.000	0.000	0.000	0.281
CG0053	Street Lighting	0.021	0.009	0.000	0.000	0.000	0.000	0.030
CG0054	Road Restraint Systems	0.208	0.000	0.000	0.000	0.000	0.000	0.208
CG0058	Platform for Prosperity	0.097	0.000	0.000	0.000	0.000	0.000	0.097
CG0060	Highways Improvements (Developer)	0.351	0.484	0.000	0.000	0.000	0.000	0.835
CG0063	Emergency Repairs to Multi-Storey Carparks	0.056	0.000	0.000	0.000	0.000	0.000	0.056
CG0064	Car Park shutters	0.056	0.111	0.000	0.000	0.000	0.000	0.167
CG0176	Replacement Card Readers	0.460	0.000	0.000	0.000	0.000	0.000	0.460
CG0194	Mattress Shredder Purchase	0.025	0.000	0.000	0.000	0.000	0.000	0.025
CG0195	Itchen Bridge Card Readers	0.000	0.200	0.000	0.000	0.000	0.000	0.200
CG0196	M27/M3 Travel Demand Management	0.000	0.360	0.000	0.000	0.000	0.000	0.360
CG0197	S106 - Highways - Unallocated	0.000	0.013	0.308	0.000	0.000	0.000	0.321
CG0198	S106 - Integrated Transport - Unallocated	0.211	0.268	0.090	0.000	0.000	0.000	0.569
CG0199	S106 - Open Spaces - Unallocated	0.000	0.716	0.000	0.000	0.000	0.000	0.716
CG0200	S106 - Play Areas - Unallocated	0.000	0.190	0.000	0.000	0.000	0.000	0.190
CT0001	Purchase of vehicles	0.729	0.000	0.000	0.000	0.000	0.000	0.729
CT0002	Priory Road - Property Level Protection Scheme	0.002	0.000	0.000	0.000	0.000	0.000	0.002
CT0006	Houndwell Park Play Area	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CT0007	Deep Dene Play Area	0.009	0.000	0.000	0.000	0.000	0.000	0.009
CT0008	The Common Play Area	0.004	0.000	0.000	0.000	0.000	0.000	0.004
CT0009	Cedar Lodge Play Area	0.013	0.000	0.000	0.000	0.000	0.000	0.013
CT0010	Green Lane Copse / Watts Close Play Area	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CT0011	Lamberhurst Close / Ropley Close Play Area	0.010	0.000	0.000	0.000	0.000	0.000	0.010
CT0013	Mayfield Park Play Area	0.010	0.000	0.000	0.000	0.000	0.000	0.010
CT0014	Octavia Road Play Area	0.014	0.000	0.000	0.000	0.000	0.000	0.014
CT0015	St James Park Play Area	0.000	0.014	0.000	0.000	0.000	0.000	0.014
CT0018	Daisy Dip Play Area	0.000	0.010	0.000	0.000	0.000	0.000	0.010
CT0020	Coxford Play Area	0.016	0.000	0.000	0.000	0.000	0.000	0.016
CT0023	Mansel Park Play Area	0.250	0.000	0.000	0.000	0.000	0.000	0.250
CT0031	Southampton Common	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CT0032	Sports Centre Water Supply Upgrade	0.008	0.000	0.000	0.000	0.000	0.000	0.008
CT0034	Green Park	0.036	0.000	0.000	0.000	0.000	0.000	0.036
CT0035	Hum Hole	0.007	0.000	0.000	0.000	0.000	0.000	0.007
CT0036	Lordsdale Greenway	0.005	0.000	0.000	0.000	0.000	0.000	0.005
CT0037	Riverside Park	0.002	0.009	0.000	0.000	0.000	0.000	0.011
CT0039	Westwood Greenway	0.028	0.000	0.000	0.000	0.000	0.000	0.028
CT0040	Mayfield Park Improvements	0.000	0.023	0.000	0.000	0.000	0.000	0.023
CT0041	City Pride - Improvements to Queens Park	0.107	0.000	0.000	0.000	0.000	0.000	0.107
CT0042	Shoreburs Greenway Footpath Improvement Project	0.113	0.000	0.000	0.000	0.000	0.000	0.113
CT0043	Portswood Entrance Improvements	0.000	0.009	0.000	0.000	0.000	0.000	0.009
CT0044	Blechynden Terrace Park	0.033	0.000	0.000	0.000	0.000	0.000	0.033
CT0046	Tree Surgery Mobile Elevated Working Platform	0.075	0.000	0.000	0.000	0.000	0.000	0.075
CT0047	Wildflower Area Mower	0.035	0.000	0.000	0.000	0.000	0.000	0.035
CT0048	Mechanical Sweeper	0.044	0.000	0.000	0.000	0.000	0.000	0.044
CT0049	Realignment of Park Walk Entrance to East Park	0.055	0.000	0.000	0.000	0.000	0.000	0.055
CT0052	Somerset Avenue Play Area	0.025	0.000	0.000	0.000	0.000	0.000	0.025
CT0053	Purchase of vehicles - Electric Vehicles	0.816	0.000	0.000	0.000	0.000	0.000	0.816
CT0054	Purchase of vehicles - Refuse Collection Vehicles	0.000	2.900	0.000	0.000	0.000	0.000	2.900
CT0055	Solar Powered Compactor Bins	0.150	0.850	0.000	0.000	0.000	0.000	1.000
CT0056	Inkerman Play Area	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CT0058	Mandela Way Play Area	0.024	0.000	0.000	0.000	0.000	0.000	0.024
CT0059	Woodmill Play Area	0.005	0.000	0.000	0.000	0.000	0.000	0.005
CT0061	Weston Shore Coastal Erosion	0.020	0.980	0.000	0.000	0.000	0.000	1.000
CT0062	Purchase of vehicles - 4x4 Vehicle Rapid Response	0.020	0.000	0.000	0.000	0.000	0.000	0.020
CT0063	Red Lodge Bin Storage	0.070	0.000	0.000	0.000	0.000	0.000	0.070
CT0064	Welfare Improvements at Mayfield Depot	0.025	0.000	0.000	0.000	0.000	0.000	0.025
CT0065	Clean Air Zone	0.014	0.267	0.000	0.000	0.000	0.000	0.281
CT0066	Townhill Park Infrastructure - Roads	1.125	2.363	0.000	0.000	0.000	0.000	3.488
CT0067	Townhill Park Infrastructure - Parks	0.000	0.536	0.000	0.000	0.000	0.000	0.536
CT0069	Eddies Play Trail	0.061	0.000	0.000	0.000	0.000	0.000	0.061
CT0070	Hoglands Park Improvements	0.003	0.101	0.000	0.000	0.000	0.000	0.104
CT0071	Tranman - Fleet System Upgrade	0.065	0.000	0.000	0.000	0.000	0.000	0.065
CT0074	S106 - Air Quality - Unallocated	0.000	0.011	0.000	0.000	0.000	0.000	0.011

33.655	72.583	61.411	57.664	32.300	11.800	269.413
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Sources of Finance

Council Resources	3.034	13.550	10.064	14.700	8.800	8.630	58.778
Capital Receipts	3.231	3.116	0.000	0.000	0.000	0.000	6.347
Contributions	4.335	6.430	0.898	0.500	0.500	0.500	13.163
Central Govt Grants	19.627	48.865	50.449	42.464	23.000	2.670	187.075
Other Grants	0.067	0.022	0.000	0.000	0.000	0.000	0.089
Direct Revenue	3.361	0.600	0.000	0.000	0.000	0.000	3.961

Total Programme	33.655	72.583	61.411	57.664	32.300	11.800	269.413
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RESOURCES

Scheme No.	Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
		£M	£M	£M	£M	£M	£M	£M
CA0010	Client Case Management System	2.397	0.426	0.000	0.000	0.000	0.000	2.823
CAP7	Digital Customer - CRM Phase 2	0.000	0.100	0.000	0.000	0.000	0.000	0.100
CAP8	Digital Customer - Content Mgmt	0.000	0.050	0.000	0.000	0.000	0.000	0.050
CAP9	Digital Customer - Contact Centre Telephony	0.000	0.250	0.000	0.000	0.000	0.000	0.250
CAP10	Smarter Ways Of Working	0.000	2.150	1.000	1.000	1.000	1.000	6.150
CAP12	Other. PA System	0.000	0.060	0.000	0.000	0.000	0.000	0.060
CAP31	IT Requirement	0.000	1.723	0.000	0.000	0.000	0.000	1.723
CF0001	Digital Investment Phase 1	0.056	0.000	0.000	0.000	0.000	0.000	0.056
CF0002	Digital Investment Phase 2 &3	0.674	0.000	0.000	0.000	0.000	0.000	0.674
CG0155	Desktop Refresh Programme	0.885	0.000	0.000	0.000	0.000	0.000	0.885
CG0155	Desktop Refresh Programme	0.440	0.000	0.000	0.000	0.000	0.000	0.440
CG0155	Desktop Refresh Programme	0.640	0.000	0.000	0.000	0.000	0.000	0.640
CG0158	Civic Centre Upgrade	1.506	0.450	0.000	0.000	0.000	0.000	1.956
CG0206	Property Investment Fund	20.000	180.000	0.000	0.000	0.000	0.000	200.000
CI0001	Customer Relationship Management Project	0.238	0.000	0.000	0.000	0.000	0.000	0.238
		26.836	185.209	1.000	1.000	1.000	1.000	216.045
Sources of Finance								
	Council Resources	20.845	184.515	1.000	1.000	1.000	1.000	209.360
	Capital Receipts	2.519	0.426	0.000	0.000	0.000	0.000	2.945
	Direct Revenue	3.472	0.268	0.000	0.000	0.000	0.000	3.740
	Total Programme	26.836	185.209	1.000	1.000	1.000	1.000	216.045

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APPENDIX 2 - ANNEX 2.3

Southampton City Council

CAPITAL STRATEGY

2020/21 – 2023/24

Contents

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7.2 Ratio of financing costs to net revenue stream

7.3 Sustainability

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Additional Information

1. MRP Strategy
2. Investment Strategy

	<u>SECTION 1 – INTRODUCTION</u>																																																																																								
1.1	Background																																																																																								
1.1.1	This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.																																																																																								
1.1.2	The Prudential Code requires the Council to have in place a capital strategy that sets out the long term context in which capital expenditure decisions are made in order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.																																																																																								
1.1.3	Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised within this strategy.																																																																																								
	<u>SECTION 2 - CAPITAL EXPENDITURE AND FINANCING</u>																																																																																								
2.1	Estimates of Capital Expenditure																																																																																								
2.1.1	<p>Capital expenditure is where the Authority spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.</p> <p>In 2020/21 the Authority is planning capital expenditure of £367.07M, shown below:</p> <p><i>Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions</i></p> <table border="1"> <thead> <tr> <th>Capital Expenditure and Financing</th> <th>2018/19 Actual</th> <th>2019/20 Forecast</th> <th>2020/21 Forecast</th> <th>2021/22 Forecast</th> <th>2022/23 Forecast</th> <th>2023/24 Forecast</th> <th>2024/25 Forecast</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>48.15</td> <td>88.09</td> <td>319.02</td> <td>121.98</td> <td>139.31</td> <td>43.42</td> <td>16.95</td> </tr> <tr> <td>HRA</td> <td>43.24</td> <td>47.35</td> <td>48.05</td> <td>47.04</td> <td>42.03</td> <td>36.86</td> <td>30.64</td> </tr> <tr> <td>Total Expenditure</td> <td>91.39</td> <td>135.44</td> <td>367.07</td> <td>169.02</td> <td>181.35</td> <td>80.28</td> <td>47.59</td> </tr> <tr> <td>Capital receipts</td> <td>10.88</td> <td>13.53</td> <td>11.59</td> <td>7.68</td> <td>5.10</td> <td>4.03</td> <td>3.33</td> </tr> <tr> <td>Capital Grants</td> <td>18.23</td> <td>33.13</td> <td>79.69</td> <td>54.98</td> <td>44.74</td> <td>24.91</td> <td>2.66</td> </tr> <tr> <td>Contributions</td> <td>7.55</td> <td>5.89</td> <td>10.32</td> <td>6.05</td> <td>5.25</td> <td>3.50</td> <td>2.50</td> </tr> <tr> <td>Major Repairs Allowance</td> <td>19.54</td> <td>19.96</td> <td>20.47</td> <td>20.90</td> <td>21.53</td> <td>22.06</td> <td>22.59</td> </tr> <tr> <td>Direct Revenue Financing</td> <td>5.46</td> <td>14.78</td> <td>9.88</td> <td>6.81</td> <td>7.63</td> <td>8.07</td> <td>3.50</td> </tr> <tr> <td>Council Resources - borrowing</td> <td>29.73</td> <td>48.15</td> <td>235.12</td> <td>72.60</td> <td>97.09</td> <td>17.71</td> <td>13.01</td> </tr> <tr> <td>Total Financing</td> <td>91.39</td> <td>135.44</td> <td>367.07</td> <td>169.02</td> <td>181.34</td> <td>80.28</td> <td>47.59</td> </tr> </tbody> </table>	Capital Expenditure and Financing	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	General Fund	48.15	88.09	319.02	121.98	139.31	43.42	16.95	HRA	43.24	47.35	48.05	47.04	42.03	36.86	30.64	Total Expenditure	91.39	135.44	367.07	169.02	181.35	80.28	47.59	Capital receipts	10.88	13.53	11.59	7.68	5.10	4.03	3.33	Capital Grants	18.23	33.13	79.69	54.98	44.74	24.91	2.66	Contributions	7.55	5.89	10.32	6.05	5.25	3.50	2.50	Major Repairs Allowance	19.54	19.96	20.47	20.90	21.53	22.06	22.59	Direct Revenue Financing	5.46	14.78	9.88	6.81	7.63	8.07	3.50	Council Resources - borrowing	29.73	48.15	235.12	72.60	97.09	17.71	13.01	Total Financing	91.39	135.44	367.07	169.02	181.34	80.28	47.59
Capital Expenditure and Financing	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast																																																																																		
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2.1.2	The main General Fund capital projects are summarised below, in Table 2, by the Council's 5 key programmes.																																																																																								

2.1.2

Table 2: General Fund Major Projects By Programme

Programme	Major Project	2019/ 20 £M	2020/ 21 £M	2021/ 22 £M	2022/ 23 £M	2023/ 24 £M	2024/ 25 £M
Communities culture & homes	Community Safety	1.83	3.76	2.25	0.00	0.00	0.00
	City of Culture	0.00	0.26	0.25	0.00	0.00	0.00
	Arts & Heritage	0.23	1.60	0.00	0.00	0.00	0.00
	Sport & Recreation	0.00	0.75	0.00	0.00	0.00	0.00
	Outdoor Leisure	0.00	0.15	4.40	8.15	4.10	0.05
	Estate Improvements	1.05	0.30	0.00	0.00	0.00	0.00
	Supporting Independent Living	0.53	0.80	0.32	0.00	0.00	0.00
	Other	0.05	0.72	0.00	0.00	0.00	0.00
Green City	Green City Charter	0.00	5.00	4.00	4.00	4.00	4.00
	Open Spaces	0.00	0.16	0.35	0.00	0.00	0.00
	Play Area Improvements	0.46	0.90	0.00	0.00	0.00	0.00
	Parks Development Works	0.29	1.39	0.00	0.00	0.00	0.00
	Solar Powered Bins	0.15	0.85	0.00	0.00	0.00	0.00
	Other	0.28	0.01	0.00	0.00	0.00	0.00
Place Shaping	Bridges Programme	0.97	0.44	0.00	0.00	0.00	0.00
	Highways Programme	11.80	9.62	7.20	7.80	7.80	7.80
	Integrated Transport	17.31	8.56	0.90	5.90	0.00	0.00
	Fleet Investment	1.59	6.70	2.36	2.00	2.00	2.00
	Flood Risk Management	0.02	0.98	0.00	0.00	0.00	0.00
	Connected Southampton	0.00	40.67	50.10	41.46	22.00	1.50
	Additional Pavements	0.00	0.50	0.50	0.50	0.50	0.50
	Bitterne Community Hub	0.24	0.30	32.60	0.00	0.00	0.00
	Heart of the City	1.81	1.63	0.00	0.00	0.00	0.00
Other	0.78	1.53	0.00	0.00	0.00	0.00	
Successful sustainable business	Digital & IT	5.33	2.55	0.00	0.00	0.00	0.00
	Resources	1.55	0.80	0.00	0.00	0.00	0.00
	Smarter Ways of Working	0.00	2.15	1.00	1.00	1.00	1.00
	Property Investment Fund	20.13	180.12	0.11	26.70	0.00	0.00
Wellbeing	Early Years Expansion	0.30	0.23	0.23	0.23	0.00	0.00
	Primary Review & Expansion	9.15	0.49	0.03	0.04	0.00	0.00
	School Capital Maintenance	3.04	2.68	2.00	2.00	1.92	0.00
	Secondary Review & Expansion	8.08	40.58	11.56	0.00	0.00	0.00
	Newlands Hearing Centre	0.00	0.49	0.60	0.02	0.00	0.00
	SEND Review & Expansion	0.00	0.00	0.00	39.00	0.00	0.00
	Childrens Services - Residential/Ass'ment Unit	0.00	1.05	1.06	0.40	0.00	0.00
	Health & Adult Social Care	0.54	0.20	0.10	0.10	0.10	0.10
	Other	0.58	0.10	0.05	0.00	0.00	0.00
	TOTAL	88.09	319.02	121.98	139.31	43.42	16.95

2.1.4	<p>The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of new homes. The main programmes are shown below:</p> <p><i>Table 3: HRA Major Projects By Programme</i></p> <table border="1" data-bbox="300 421 1466 846"> <thead> <tr> <th>Programme</th> <th>Major Project</th> <th>2019/ 20 £M</th> <th>2020/ 21 £M</th> <th>2021/ 22 £M</th> <th>2022/ 23 £M</th> <th>2023/ 24 £M</th> <th>2024/ 25 £M</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Communities, culture & homes</td> <td>Improving Quality of Homes</td> <td>4.21</td> <td>7.29</td> <td>6.84</td> <td>6.25</td> <td>7.47</td> <td>7.39</td> </tr> <tr> <td>Making Homes Energy Efficient</td> <td>3.72</td> <td>7.35</td> <td>15.46</td> <td>16.03</td> <td>12.68</td> <td>12.68</td> </tr> <tr> <td>Making Homes Safe</td> <td>16.33</td> <td>11.78</td> <td>8.96</td> <td>5.81</td> <td>6.09</td> <td>1.28</td> </tr> <tr> <td>Estate Regeneration</td> <td>19.03</td> <td>17.19</td> <td>11.65</td> <td>9.50</td> <td>6.63</td> <td>5.05</td> </tr> <tr> <td>Supporting Communities</td> <td>0.86</td> <td>1.62</td> <td>2.01</td> <td>2.41</td> <td>1.97</td> <td>2.22</td> </tr> <tr> <td>Supporting Independent Living</td> <td>3.20</td> <td>2.81</td> <td>2.13</td> <td>2.03</td> <td>2.02</td> <td>2.02</td> </tr> <tr> <td></td> <td>TOTAL</td> <td>47.35</td> <td>48.04</td> <td>47.05</td> <td>42.03</td> <td>36.86</td> <td>30.64</td> </tr> </tbody> </table>	Programme	Major Project	2019/ 20 £M	2020/ 21 £M	2021/ 22 £M	2022/ 23 £M	2023/ 24 £M	2024/ 25 £M	Communities, culture & homes	Improving Quality of Homes	4.21	7.29	6.84	6.25	7.47	7.39	Making Homes Energy Efficient	3.72	7.35	15.46	16.03	12.68	12.68	Making Homes Safe	16.33	11.78	8.96	5.81	6.09	1.28	Estate Regeneration	19.03	17.19	11.65	9.50	6.63	5.05	Supporting Communities	0.86	1.62	2.01	2.41	1.97	2.22	Supporting Independent Living	3.20	2.81	2.13	2.03	2.02	2.02		TOTAL	47.35	48.04	47.05	42.03	36.86	30.64
Programme	Major Project	2019/ 20 £M	2020/ 21 £M	2021/ 22 £M	2022/ 23 £M	2023/ 24 £M	2024/ 25 £M																																																					
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	TOTAL	47.35	48.04	47.05	42.03	36.86	30.64																																																					
2.2	Governance																																																											
2.2.1	<p>Service managers bid annually in November/December to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Executive Management Board (EMB) reviews bids based on a comparison of service priorities against financing costs, with the programme also reviewed by Cabinet members. The final capital programme is then presented to Cabinet in early February and to Council in late February each year.</p> <p>Full details of the Authority's capital programme are within the Medium Term Financial Strategy, Budget and Capital Programme 2020-21 to 2022-23 report, presented to Council on 26 February 2020.</p>																																																											
2.3	Methods of Funding																																																											
2.3.5	<p><u>Use of Leasing</u></p> <p>The council does have the option to lease assets utilising an operating lease arrangement, with the advent of Prudential Borrowing this source of financing is becoming less attractive.</p>																																																											
2.3.6	<p><u>Local Enterprise Partnership Funding</u></p> <p>Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process to award funding is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council.</p>																																																											
2.3.7	<p><u>Tax Increment Financing (TIF)</u></p> <p>The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF, as an incentive to grow local economies and attract new businesses to areas. In essence TIF allows councils to borrow against future increases in Business Rate revenues generated as a result of local developments and growth. By</p>																																																											

	<p>capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.</p>
2.3.8	<p><u>S106 Agreements</u></p> <p>S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it.</p> <p>These contributions are site specific or can be ‘pooled’ for a maximum of 5 site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.</p> <p>S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art. However, since the council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.</p> <p>The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.</p> <p>With the exception of funding for affordable housing the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space will become zero over time as the CIL continues to be applied.</p>
2.3.9	<p><u>Community Infrastructure Levy (CIL)</u></p> <p>CIL was adopted by the council in September 2013. CIL contributions are determined by set rates as detailed within the council’s CIL Charging Schedule, and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.</p> <p>The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.</p> <p>The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations. In addition, SCC have opted to continue to seek S106 contributions for transport. All other S106s contributions are now agreed through CIL.</p>

	<p>The Localism Act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding could be used towards a significant number of the council's current programmes i.e. School Expansion and the Roads Programme.</p> <p>The CIL funding can be used to fund existing schemes within the current General Fund capital programme that meet the definition of infrastructure. The previous agreed approach is to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.</p> <p>However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the ward that the receipt originated from, in consultation and agreement with the local community.</p>
2.3.10	<p><u>Private Finance Initiative (PFI)</u></p> <p>Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.</p> <p>Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the council.</p> <p>No additional PFI projects are anticipated. Any such proposals would be presented to the EMB for evaluation before presentation for Members approval.</p>
2.4	<p>Gross Debt and the Capital Financing Requirement</p>
2.4.1	<p>Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The Authority's full MRP strategy is detailed in annex 2.3(a).</p>
2.4.2	<p>The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £244M during 2020/21.</p>
2.4.3	<p>CFR is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as detailed in table 4 below.</p>

2.4.4	Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £M																																																																																											
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2.4.6	<p>There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital as the Council's strategy has been to only borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment.</p>																																																																																											
2.4.7	<p>This is now being reviewed to see if an alternative Treasury Strategy could generate income that can support local services. One option being considered is further investment in external pooled funds which would require the Council to externalise some or all of its debt long term. To assist with the appraisal the Council has engaged the council's financial advisers, Arlingclose, to analyse the scope within the Council's current and projected balance sheet for longer-term investment, and investigate suitable longer-term asset classes and investment options available to the Council. Any change to the strategy would require approval by full council and</p>																																																																																											

	additional Treasury Training would be provided to assist members in understanding the risks and implications of any change to the current strategy
2.5	Asset Management
2.5.1	<p>To ensure that capital assets continue to be of long-term use, the Authority has engaged a specialist to assist with the production of a comprehensive corporate asset management strategy. It is envisaged that the strategy will allow the City Council to plan effectively for its property needs now and in the future, focusing on:</p> <ul style="list-style-type: none"> ○ what property assets the City Council owns and uses; ○ how property is used by the City Council; ○ how the City Councils property needs might change and evolve over time; ○ ensuring where possible that the City Council always has the right property fit for purpose. <p>The Authority's asset management strategy should be available in 2020/21.</p>
2.5.2	<p>When determining the capital programme and allocating resources the Council will also have regard to:</p> <ul style="list-style-type: none"> • The preparation of the statutory Local Transport Plan, and Transport Asset Management Plan (TAMP); • The preparation of the Asset Management Plan for Schools and council Buildings to ensure health and safety issues have been dealt with appropriately; and • The council's obligation to finance adaptations to the homes of disabled residents. Funding is passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the council, as part of the S75 pooling arrangement detailed in the Revenue Budget Report.
2.6	Asset Disposals
2.6.1	<p>When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts on service transformation projects until 2022/23 (see paragraph 2.6.3). Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £4.04M of capital receipts in the coming financial year, then there are no further planned disposals.</p>
2.6.2	<p>The current strategy for the use of capital receipts is to:</p> <ul style="list-style-type: none"> • Provide for an MRP holiday to the value of external loan payments generating a revenue budget saving; • Consider use to meet the costs of equal pay claims as detailed below; • Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites; • Consider flexible use to meet the costs of reform projects as detailed below; and • Assume receipts from sale of assets not currently on the market will not be taken into consideration when assessing the total value of receipts available to fund the capital programme.

2.6.3	<p><u>Flexible use of Capital Receipts</u></p> <p>The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a 'reform' project was issued as part of the Final Local Government Settlement on 11th March 2016. The key points included:</p> <ul style="list-style-type: none"> • The direction only relates to new receipts received in the period 1st April 2016 to 31st March 2019 that could be applied to meet the revenue costs of reform incurred in the same timeframe; • The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority's net service expenditure and is expenditure on a project where incurring up-front costs will generate ongoing savings; and • Individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full council or the equivalent. • Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies.
2.6.4	<p><u>HRA Right to Buy Receipts</u></p> <p>In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to MHCLG.</p>
<u>SECTION 3 - TREASURY MANAGEMENT</u>	
3.1	Background
3.1.1	<p>Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital</p>

	expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.																																																																
3.2	Borrowing strategy																																																																
3.2.1	<p>The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).</p> <p>Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).</p> <p>Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.</p>																																																																
3.3	Liability benchmark																																																																
3.3.1	<p>To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10M at each year-end. This benchmark is currently £188.5M and is forecast to rise to £734.13M over the next three years.</p> <p><i>Table 6: Liability Benchmark in £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>2018/19 Actual</th> <th>2019/20 Forecast</th> <th>2019/20 Forecast Movement</th> <th>2020/21 Forecast</th> <th>2021/22 Forecast</th> <th>2022/23 Forecast</th> <th>2023/24 Forecast</th> </tr> </thead> <tbody> <tr> <td>Loans CFR</td> <td>425.68</td> <td>467.77</td> <td>42.09</td> <td>714.90</td> <td>797.64</td> <td>921.84</td> <td>966.70</td> </tr> <tr> <td>Less Usable Reserves</td> <td>(154.28)</td> <td>(128.43)</td> <td>25.85</td> <td>(121.36)</td> <td>(117.80)</td> <td>(114.77)</td> <td>(113.00)</td> </tr> <tr> <td>Less Working Capital Surplus</td> <td>(92.94)</td> <td>(82.94)</td> <td>10.00</td> <td>(82.94)</td> <td>(82.94)</td> <td>(82.94)</td> <td>(82.94)</td> </tr> <tr> <td>Plus Minimum Investments</td> <td>10.00</td> <td>10.00</td> <td>0.00</td> <td>10.00</td> <td>10.00</td> <td>10.00</td> <td>10.00</td> </tr> <tr> <td>Liability Benchmark</td> <td>188.46</td> <td>266.40</td> <td>77.94</td> <td>520.61</td> <td>606.90</td> <td>734.13</td> <td>780.77</td> </tr> <tr> <td>Less Committed External Borrowing</td> <td>(246.34)</td> <td>(256.87)</td> <td>(10.53)</td> <td>(231.59)</td> <td>(222.84)</td> <td>(216.84)</td> <td>(210.84)</td> </tr> <tr> <td>Minimum Borrowing Need</td> <td>(140.82)</td> <td>(63.41)</td> <td>77.41</td> <td>216.07</td> <td>311.12</td> <td>444.35</td> <td>496.98</td> </tr> </tbody> </table>		2018/19 Actual	2019/20 Forecast	2019/20 Forecast Movement	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Loans CFR	425.68	467.77	42.09	714.90	797.64	921.84	966.70	Less Usable Reserves	(154.28)	(128.43)	25.85	(121.36)	(117.80)	(114.77)	(113.00)	Less Working Capital Surplus	(92.94)	(82.94)	10.00	(82.94)	(82.94)	(82.94)	(82.94)	Plus Minimum Investments	10.00	10.00	0.00	10.00	10.00	10.00	10.00	Liability Benchmark	188.46	266.40	77.94	520.61	606.90	734.13	780.77	Less Committed External Borrowing	(246.34)	(256.87)	(10.53)	(231.59)	(222.84)	(216.84)	(210.84)	Minimum Borrowing Need	(140.82)	(63.41)	77.41	216.07	311.12	444.35	496.98
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3.4	Affordable Borrowing Limit																																																																
3.4.1	<p>The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.</p> <p>The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.</p>																																																																
3.4.2	The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis																																																																

	<p>against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases.</p> <p>The Authorised Limit, shown in table 7, has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom to allow for unusual cash movements, for example a complete debt restructure requiring monies to be borrowed in advance of repayment of existing debt.</p>																				
3.4.3	<p><i>Table 7 – Authorised Limit for External Debt £M</i></p> <table border="1"> <thead> <tr> <th>Authorised Limit for External Debt</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>850</td> <td>700</td> <td>700</td> <td>880</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>75</td> <td>70</td> <td>70</td> <td>65</td> </tr> <tr> <td>Total</td> <td>925</td> <td>770</td> <td>770</td> <td>945</td> </tr> </tbody> </table>	Authorised Limit for External Debt	2019/20	2020/21	2021/22	2022/23	Borrowing	850	700	700	880	Other Long-term Liabilities	75	70	70	65	Total	925	770	770	945
Authorised Limit for External Debt	2019/20	2020/21	2021/22	2022/23																	
Borrowing	850	700	700	880																	
Other Long-term Liabilities	75	70	70	65																	
Total	925	770	770	945																	
3.4.4	<p>The Operational Boundary is linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit which allows for a full debt restructure if a favourable opportunity arose.</p>																				
3.4.5	<p><i>Table 8 – Operational Boundary for External Debt £M</i></p> <table border="1"> <thead> <tr> <th>Operational Boundary for External Debt</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>800</td> <td>660</td> <td>660</td> <td>715</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>75</td> <td>70</td> <td>70</td> <td>65</td> </tr> <tr> <td>Total</td> <td>875</td> <td>730</td> <td>730</td> <td>780</td> </tr> </tbody> </table>	Operational Boundary for External Debt	2019/20	2020/21	2021/22	2022/23	Borrowing	800	660	660	715	Other Long-term Liabilities	75	70	70	65	Total	875	730	730	780
Operational Boundary for External Debt	2019/20	2020/21	2021/22	2022/23																	
Borrowing	800	660	660	715																	
Other Long-term Liabilities	75	70	70	65																	
Total	875	730	730	780																	
3.4.6	<p>The Executive Director of Finance (S151) has delegated authority, within the above limits for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Council will be notified of any use of this delegated authority.</p>																				
3.5	<p>Treasury Investment Strategy</p>																				
3.5.1	<p>Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.</p>																				
3.5.2	<p>The Authority's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk</p>																				

	<p>of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.</p> <p>Further details on treasury investments can be found in the treasury management strategy, see link below: http://www.southampton.gov.uk/modernGov/documents/s43815/Enc.%201%20Treasury%20Management%20Strategy%202020-21.docx.pdf.</p>
3.6	Risk Management
3.6.1	The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
3.7	Governance
3.7.1	Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director of Finance (S151) and staff, who must act in line with the treasury management strategy approved by Governance committee on 10 th February 2020. Quarterly reports on treasury management activity are presented to cabinet. The audit committee is responsible for scrutinising treasury management decisions.
	SECTION 4 - INVESTMENTS FOR SERVICE PURPOSES
4.1	Background
4.1.1	<p>The Authority makes investments to assist local public services, including making loans to and buying shares in local service providers to promote economic growth. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even after all costs.</p> <p>Currently the Council does not have any investments for service purposes, the criteria for potential investments in the future is set out in the investment strategy (annex 2.3(b)).</p>

4.2	Governance
4.2.1	Decisions on service investments are made by the relevant service manager in consultation with the Executive Director of Finance (S151) and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. Further details on service investments are given in of the investment strategy
	<u>SECTION 5 - COMMERCIAL ACTIVITIES</u>
5.1	Background
5.1.1	<p>With central government financial support for local public services declining, the Authority invests in commercial property for financial gain. Total commercial investments are currently valued at £28.3M, consisting of 3 properties providing a net return after all costs of 1.77%.</p> <p>With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include reduced income due to rent voids or rent reductions and fall in capital value due to market conditions/demands. These risks are managed by performing credit checks on potential tenants, having a reserve set aside for voids and maintenance costs and regular monitoring to identify potential risks as early as possible. In order that commercial investments remain proportionate to the size of the authority, these are subject to an overall maximum investment limit of £250M and to minimise the risk that expected yields not materialise, income targets have been set to a prudent level, which would not negatively impact the Council's overall budget.</p>
5.2	Governance
5.2.1	<p>Decisions on commercial investments are made by the Head of Property and Executive Director of Finance (S151), in consultation with the Cabinet Member for Resources and the Leader of the Council in line with the criteria and limits in the Property Investment Strategy approved by Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.</p> <p>Further details on commercial investments and limits on their use are detailed in the investment strategy (annex 2.3(b)).</p>
	<u>SECTION 6 – LIABILITIES</u>
6.1	Background
6.1.1	In addition to debt detailed above, the Authority has a potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching State Pension Age from 6 December 2018 to be in the region of 0.3% of the defined benefit obligation (£1.33M).

	It has also set aside an earmarked Insurance reserve of £0.35M to cover risks of a potential liability, of £1.38M as at 31 st March 2019, under a Scheme of Arrangement with Municipal Mutual Insurance.																												
6.2	Governance																												
6.2.1	Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Executive Director of Finance (S151). The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported to the appropriate committee. New liabilities exceeding £2M are reported to full council for approval/notification as appropriate. Further details on liabilities and guarantees are on pages 97 of the 2018/19 statement of accounts.																												
	<u>SECTION 7- REVENUE BUDGET IMPLICATIONS</u>																												
7.1	Background																												
7.1.1	Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP and loans fund repayment are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.																												
7.2	Ratio of financing costs to net revenue stream																												
7.2.1	This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The upper limit for this ratio is currently set at 10% and will increase to 15% to allow for known borrowing decisions in the next five years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the proposed capital programme																												
7.2.2	<i>Table 10: Prudential Indicator: Ratio of financing costs to net revenue stream %</i> <table border="1"> <thead> <tr> <th></th> <th>2018/19 Actual</th> <th>2019/20 Forecast</th> <th>2020/21 Forecast</th> <th>2021/22 Forecast</th> <th>2022/23 Forecast</th> <th>2023/24 Forecast</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>6.23</td> <td>6.19</td> <td>6.88</td> <td>7.58</td> <td>11.83</td> <td>13.07</td> </tr> <tr> <td>HRA</td> <td>14.69</td> <td>6.71</td> <td>8.06</td> <td>9.71</td> <td>11.32</td> <td>11.46</td> </tr> <tr> <td>Total</td> <td>10.35</td> <td>8.85</td> <td>9.67</td> <td>13.38</td> <td>14.54</td> <td>14.49</td> </tr> </tbody> </table>		2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	General Fund	6.23	6.19	6.88	7.58	11.83	13.07	HRA	14.69	6.71	8.06	9.71	11.32	11.46	Total	10.35	8.85	9.67	13.38	14.54	14.49
	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast																							
General Fund	6.23	6.19	6.88	7.58	11.83	13.07																							
HRA	14.69	6.71	8.06	9.71	11.32	11.46																							
Total	10.35	8.85	9.67	13.38	14.54	14.49																							
7.2.3	This indicator is not so relevant for the HRA, especially since the introduction of self-financing, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years, which it has opted to do for 2019/20 & 2020/21.																												
7.3	Sustainability																												
7.3.1	Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Executive Director of Finance (S151) is satisfied that the proposed capital programme is prudent, affordable and sustainable.																												

	<u>SECTION 8 - CAPACITY AND SKILLS</u>
8.1	Background
8.1.1	<p>The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.</p> <p>For example, the Executive Director of Finance (S151) is a qualified accountant with extensive years' experience within local government at a senior level. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA, ACCA, AAT, ACT (treasury), ATT (tax).</p> <p>Staff training needs are reviewed as part of the annual appraisal and development plans, which are monitored throughout the year.</p> <p>Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.</p>

<u>2020/21 MINIMUM REVENUE PROVISION (MRP) STATEMENT</u>
<p>Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008, the council is required to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government’s Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.</p>
<p>The broad aim of the CLG guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.</p>
<p>The CLG Guidance requires the Council to approve an Annual MRP Statement each year. For borrowing prior to the prudential regime we use the regulatory method (over a 50 year life) and for prudential borrowing the asset life method, this now also includes MRP for investment property, as the depreciation method which was previously used, is no longer available for Investment property following the revised guidance.</p>
<p>Further statutory guidance on MRP was issued by Government on 2 February 2018, which largely becomes effective from 1 April 2019. The exception related to the section allowing local authorities to change their approach to calculating MRP at any time, which took effect immediately. A variety of options are provided to councils under the regulations and guidance, so long as there is a prudent provision.</p>
<p>A key part of the updated guidance clarified that the duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements. Debt is expected to be repaid through future capital receipts when the property is sold but a partial MRP allowance is also made calculated on 5% of the value of the property over the expected life.</p>
<p>We will continue to review MRP and it is proposed that delegated powers should be given to the CFO to change the proposed methods to aid good financial management whilst maintaining a prudent approach. Any changes to the original MRP Statement during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.</p>
<p>Where loans are made to other bodies for their capital expenditure and are to be repaid in annual instalments, no MRP will be charged. However, the capital receipts generated by the annual repayment on those loans will be put aside to repay debt instead. MRP will be charged where there is no repayment.</p>
<p>There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments and provision has been made within its business plan to show that it can pay down debt over the life of the 30 year business plan.</p>
<p>MRP in respect of leases and Private Finance Initiative schemes (PFI) brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.</p>

APPENDIX 2 – ANNEX 2.3(a)

Capital expenditure incurred during 2020/21 and funded from borrowing will not be subject to a MRP charge until 2020/21.

Based on the Council's latest estimate of its Capital Financing Requirement on 31 March 2020 the budget for MRP has been set on the assumption that we will be using the regulatory method for borrowing prior to the prudential regime (over the remainder of a 50 year life) and using the asset life method for prudential borrowing where it applies.

The current and estimated levels of MRP and CFR are shown in **Table 1** below:

Table 1 - Current and Estimated MRP and CFR for 2020/21

	31/03/2019 Actual CFR	2019/20 MRP Liability	31/03/2020 Estimated CFR	2020/21 Estimated MRP
	£M	£M	£M	£M
Capital expenditure before 01.04.2008	94.75	1.83	92.92	1.40
Unsupported capital expenditure after 31.03.2008	168.19	4.23	198.71	4.59
Transferred debt	14.19	0.37	13.83	0.37
Finance leases and Private Finance Initiative	56.88	2.87	54.00	3.04
Total General Fund CFR and MRP Liability	334.01	9.30	359.46	9.40
Transfers			(2.40)	0.00
Net General Fund CFR and MRP Liability (Table 11)	334.01	9.30	357.06	9.40
Assets in the Housing Revenue Account	67.98	Nil	85.61	Nil
HRA subsidy reform payment	94.76	0.00	90.53	Nil
Transfers			2.40	Nil
Total Housing Revenue Account (Table 17)	162.74	0.00	178.54	0.00
Total	496.75	9.30	535.60	9.40

Due to changes in the accounting requirements for 'right to use' leases, which comes into effect on 1 April 2020, the Authority is currently assessing what impact this will have on its CFR and MRP liability.

As with PFI schemes which were brought onto the Balance Sheet under the International Financial Reporting Standards (IFRS), any MRP liability will match the annual principal repayment for the associated deferred liability and will have a neutral impact on cost to the budget.

Southampton City Council

INVESTMENT STRATEGY

2020/21 – 2023/24

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APPENDIX 2 – Annex 2.3(b)

	<u>SECTION 1 – INTRODUCTION</u>
1.1	Background
1.1.1	<p>The Authority invests its money for three broad purposes:</p> <ul style="list-style-type: none"> • because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), • to support local public services by lending to or buying shares in other organisations (service investments), and • to earn investment income (known as commercial investments where this is the main purpose). <p>This investment strategy meets the requirements of statutory investment guidance issued by the government in January 2018, and focuses on the second and third of these categories.</p>
	<u>SECTION 2 - TREASURY MANAGEMENT INVESTMENTS</u>
2.1	Background
2.1.1	<p>The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure [and collects local taxes on behalf of other local authorities and central government]. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be £45M at the end of 2020/21 financial year.</p>
2.1.2	<p>The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.</p>
2.1.3	<p>Full details of the Authority’s policies and its plan for 2020/21 for treasury management investments are covered in a separate document, the treasury management strategy, which was approved by Governance committee on 10th February 2020. See link below:</p> <p>http://www.southampton.gov.uk/modernGov/documents/s43815/Enc.%201%20Treasury%20Management%20Strategy%202020-21.docx.pdf</p>
	<u>SECTION 3 - SERVICE INVESTMENTS: LOANS</u>
3.1	Background
3.1.1	<p>The Council is able to lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.</p>
3.2	Loan Limits
3.2.1	<p>The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the</p>

APPENDIX 2 – Annex 2.3(b)

	Authority, upper limits on the outstanding loans to each category of borrower have been set as in Table 1.															
3.2.2	<p>Table 1 – Loans for service purposes £M</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category of Borrower</th> <th style="text-align: center;">31.03.2019 Net showing in accounts</th> <th style="text-align: center;">2020/21 Approved Limit</th> </tr> </thead> <tbody> <tr> <td>Subsidiaries</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td>Suppliers</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td>Other Public Sector Bodies</td> <td style="text-align: center;">-</td> <td style="text-align: center;">20.00</td> </tr> <tr> <td>Charities</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0.50</td> </tr> </tbody> </table>	Category of Borrower	31.03.2019 Net showing in accounts	2020/21 Approved Limit	Subsidiaries	-	2.00	Suppliers	-	2.00	Other Public Sector Bodies	-	20.00	Charities	-	0.50
Category of Borrower	31.03.2019 Net showing in accounts	2020/21 Approved Limit														
Subsidiaries	-	2.00														
Suppliers	-	2.00														
Other Public Sector Bodies	-	20.00														
Charities	-	0.50														
3.2.3	Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.															
3.3	Potential Loan Criteria															
3.3.1	<p>The Council does not currently have any material loans but loans to subsidiaries may be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans will be considered when all of the following criteria are satisfied:</p> <ul style="list-style-type: none"> • The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure; • The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities; • Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term; • A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss. 															
	<u>SECTION 4 - SERVICE INVESTMENTS: SHARES</u>															
4.1	Background															
4.1.1	The Council is able to invest in the shares of its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.															

APPENDIX 2 – Annex 2.3(b)

4.1.2	One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council does not currently have any material investment in shares nor is there any intention to do so at present. If this changed the Council would undertake a risk assessment before entering purchase and would establish appropriate Prudential Indicators.																																																
<u>SECTION 5 - COMMERCIAL INVESTMENTS: PROPERTY</u>																																																	
5.1	Background																																																
5.1.1	The Council is able to invest in local, regional and UK commercial and residential property with the intention of making a profit that will be spent on local public services. Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF). To date the authority has purchased 3 properties, details are shown in table 2 below.																																																
5.1.2	<p><i>Table 2: Property Investment Fund £M</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Property</th> <th style="width: 10%;">Actual</th> <th colspan="2" style="width: 20%;">31.03.2019 actual</th> <th colspan="3" style="width: 30%;">31.03.2020 Expected</th> <th style="width: 10%;">Outstanding Debt 31.03.2020</th> </tr> <tr> <td></td> <td>Purchase Cost</td> <td>Value in Accounts</td> <td>Cumulative Gain or (Loss)</td> <td>Value in Accounts</td> <td>Cumulative Gain or (Loss)</td> <td>Change In Year</td> <td></td> </tr> </thead> <tbody> <tr> <td>Property 1</td> <td style="text-align: right;">6.47</td> <td style="text-align: right;">6.27</td> <td style="text-align: right;">(0.20)</td> <td style="text-align: right;">6.30</td> <td style="text-align: right;">(0.17)</td> <td style="text-align: right;">0.03</td> <td style="text-align: right;">5.93</td> </tr> <tr> <td>Property 2</td> <td style="text-align: right;">14.69</td> <td style="text-align: right;">13.87</td> <td style="text-align: right;">(0.82)</td> <td style="text-align: right;">12.36</td> <td style="text-align: right;">(2.33)</td> <td style="text-align: right;">(1.51)</td> <td style="text-align: right;">13.56</td> </tr> <tr> <td>Property 3</td> <td style="text-align: right;">8.53</td> <td style="text-align: right;">8.17</td> <td style="text-align: right;">(0.36)</td> <td style="text-align: right;">8.39</td> <td style="text-align: right;">(0.14)</td> <td style="text-align: right;">0.22</td> <td style="text-align: right;">7.94</td> </tr> <tr> <td></td> <td style="text-align: right;">29.69</td> <td style="text-align: right;">28.31</td> <td style="text-align: right;">(1.38)</td> <td style="text-align: right;">27.05</td> <td style="text-align: right;">(2.64)</td> <td style="text-align: right;">(1.26)</td> <td style="text-align: right;">27.43</td> </tr> </tbody> </table>	Property	Actual	31.03.2019 actual		31.03.2020 Expected			Outstanding Debt 31.03.2020		Purchase Cost	Value in Accounts	Cumulative Gain or (Loss)	Value in Accounts	Cumulative Gain or (Loss)	Change In Year		Property 1	6.47	6.27	(0.20)	6.30	(0.17)	0.03	5.93	Property 2	14.69	13.87	(0.82)	12.36	(2.33)	(1.51)	13.56	Property 3	8.53	8.17	(0.36)	8.39	(0.14)	0.22	7.94		29.69	28.31	(1.38)	27.05	(2.64)	(1.26)	27.43
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	29.69	28.31	(1.38)	27.05	(2.64)	(1.26)	27.43																																										
5.1.3	<p>In addition to the properties purchased under PIF, the council holds an extensive historic property portfolio.</p> <p>Information relating to purchase price and any associated debt is not held, as this is not required by local authority legislation. The fair value of these properties at the 31 March 2019 was £106.6M an increase of £9.5M from the year before. The Valuation and Estates section are responsible for the ongoing management and monitoring of the portfolio (including PIF) and for 2018/19 net income was for the total portfolio was £8.0M a return of 5.9%.</p>																																																
5.1.4	In November 2019 Council approved the addition of £200M to the capital programme to explore the opportunities available for further property investment. Following an update of the Property Investment Strategy, it is expected that purchases will commence in 2020/21.																																																
5.2	Security																																																
5.2.1	In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset. As can be seen from the table above the fair value assessment of these properties at the 31 March 2019 was below the purchase price, this was primarily due to cost associated with the purchase rather than a fall in the value of the assets. In line with the MRP policy in place at the time																																																

APPENDIX 2 – Annex 2.3(b)

	<p>the difference of £1.79M was charged to revenue in 2017/18. During 2018/19 there was an increase in fair value of £0.41M.</p> <p>Debt repayments are now being made on the annuity basis and debt will reduce by £0.24M per annum.</p>
5.2.2	<p>Table 2 also shows that the value of Property 2 is expected to drop in 2019/20 due to the recent downturn in the retail sector. This means that the fair value will likely fall below the outstanding debt by £1.20M. As this is outside of the current policy consideration will need to be given to the future of the asset, bearing in mind that a disposal would be likely to incur a financial loss to the Council. Whilst the property is still providing a positive income yield, the Council will closely monitor the situation and report any concern through the relevant committees.</p>
5.3	<p>Risk Assessment</p>
5.3.1	<p>The council assess the risk of loss before purchasing investment property and monitors both the fair value and the return on the assets to assess the benefits of either retaining or disposing of the assets.</p>
5.3.2	<p>Budgeted income for investment income allows for voids and maintenance costs, but in addition the council has set aside an earmarked reserve of £200k to cover unforeseen void and maintenance costs. To ensure the reserve is maintained at the correct level balances are reviewed as part of budget monitoring and individual property balances are monitored to ensure they continue to provide the correct level of risk management.</p>
5.4	<p>Liquidity</p>
5.4.1	<p>Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. Therefore, in order to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals. Since purchasing the PIF properties actual income has and continues to be in line with the budgeted figure and there are no current indicators to suggest that the forecast future income will not be achieved. If there is any change this would be reported as part of the monthly revenue monitoring process.</p>
	<p><u>SECTION 6 - CAPACITY AND SKILLS</u></p>
6.1	<p>Elected members and statutory officers</p>
6.1.1	<p>CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with TM responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Treasury training is offered to all members annually, which is undertaken by our advisors, Arlingclose.</p> <p>Further training is also provided if the need arises, for example there was a change in leadership and the makeup of Governance committee changed during 2018, so as part of Members induction Arlingclose provided an introduction to treasury training session. We would also arrange additional training if there was to be a material change in the Treasury Strategy, explaining the reasoning behind it, so that Members understand what they are being asked to approve.</p>

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	For Officers the Council adopts a continuous performance and development programme to ensure staff are regularly appraised and any training needs addressed. Relevant staff also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date. Details of training received are maintained as part of the performance and development process.																				
6.2	Commercial deals																				
6.2.1	<p>Future commercial investments will be subject to a detailed business case and need the relevant approvals. The Council has a robust process in place for property investment and therefore has a separate Property Investment Strategy. It sets out the scoring criteria each investment will be subjected to, including financial checks on potential tenants to evidence their financial stability and risk level. An independent valuation will also be conducted to obtain a level of assurance that the price quoted and the rent charged were in line with the expected market rate. Once all criteria is met final agreement is required by the S151 officer, Head of Property, the Cabinet Member for Resources and the Leader of the Council.</p> <p>The Council has an experienced in-house estates and valuation team, who will manage the process and the day-to-day management of any investments. The use of external experts will be employed where specialist knowledge is required in the acquisition, disposal or performance management of commercial property.</p>																				
	<u>SECTION 7 - INVESTMENT INDICATORS</u>																				
7.1	Background																				
7.1.1	The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.																				
7.2	Total Risk Exposure																				
7.2.1	This indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.																				
7.2.2	<p><i>Table 3: Total investment exposure £M</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Total Investment Exposure</th> <th style="text-align: center;">31.03.2019 Actual</th> <th style="text-align: center;">31.03.2020 Forecast</th> <th style="text-align: center;">31.03.2021 Forecast</th> </tr> </thead> <tbody> <tr> <td>Treasury management investments</td> <td style="text-align: center;">70.0</td> <td style="text-align: center;">45.0</td> <td style="text-align: center;">50.0</td> </tr> <tr> <td>Service investments: Loans</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> <td style="text-align: center;">0.0</td> </tr> <tr> <td>Commercial Investments: PIF</td> <td style="text-align: center;">27.7</td> <td style="text-align: center;">27.4</td> <td style="text-align: center;">227.1</td> </tr> <tr> <td style="text-align: right;">TOTAL EXPOSURE</td> <td style="text-align: center;">97.7</td> <td style="text-align: center;">72.4</td> <td style="text-align: center;">277.1</td> </tr> </tbody> </table>	Total Investment Exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast	Treasury management investments	70.0	45.0	50.0	Service investments: Loans	0.0	0.0	0.0	Commercial Investments: PIF	27.7	27.4	227.1	TOTAL EXPOSURE	97.7	72.4	277.1
Total Investment Exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast																		
Treasury management investments	70.0	45.0	50.0																		
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Commercial Investments: PIF	27.7	27.4	227.1																		
TOTAL EXPOSURE	97.7	72.4	277.1																		
7.3	How Investments are Funded																				
7.3.1	Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of																				

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	the Authority's investments are funded by usable reserves and income received in advance of expenditure.																												
7.3.2	<p><i>Table 4: Investments funded by borrowing and loan to value ratio</i></p> <table border="1"> <thead> <tr> <th><i>Investment funded by borrowing</i></th> <th><i>2018/19 Actual</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2019/20 Forecast</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2020/21 Forecast</i></th> <th><i>Loan to Value Ratio</i></th> </tr> <tr> <td></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> </tr> </thead> <tbody> <tr> <td>Commercial Investments: Property</td> <td style="text-align: center;">27.7</td> <td style="text-align: center;">99</td> <td style="text-align: center;">27.4</td> <td style="text-align: center;">99</td> <td style="text-align: center;">27.1</td> <td style="text-align: center;">100</td> </tr> <tr> <td>Service investments: Loans</td> <td style="text-align: center;">0.0</td> <td></td> <td style="text-align: center;">0.0</td> <td></td> <td style="text-align: center;">0.0</td> <td></td> </tr> </tbody> </table> <p>The maximum loan to value indicator is set at 100% if the fair value of the asset was to fall below the outstanding loan value then this would be reported to Council and the authority would look to take steps to assess the viability of holding the investment.</p>	<i>Investment funded by borrowing</i>	<i>2018/19 Actual</i>	<i>Loan to Value Ratio</i>	<i>2019/20 Forecast</i>	<i>Loan to Value Ratio</i>	<i>2020/21 Forecast</i>	<i>Loan to Value Ratio</i>		<i>£M</i>	<i>%</i>	<i>£M</i>	<i>%</i>	<i>£M</i>	<i>%</i>	Commercial Investments: Property	27.7	99	27.4	99	27.1	100	Service investments: Loans	0.0		0.0		0.0	
<i>Investment funded by borrowing</i>	<i>2018/19 Actual</i>	<i>Loan to Value Ratio</i>	<i>2019/20 Forecast</i>	<i>Loan to Value Ratio</i>	<i>2020/21 Forecast</i>	<i>Loan to Value Ratio</i>																							
	<i>£M</i>	<i>%</i>	<i>£M</i>	<i>%</i>	<i>£M</i>	<i>%</i>																							
Commercial Investments: Property	27.7	99	27.4	99	27.1	100																							
Service investments: Loans	0.0		0.0		0.0																								
7.4	Rate of return received																												
7.4.1	This indicator shows the investment income received less the associated costs, including the cost of borrowing, as a proportion of the debt outstanding. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.																												
7.4.2	<p><i>Table 5: Investment rate of return (net of all costs)</i></p> <table border="1"> <thead> <tr> <th><i>Investment net rate of return</i></th> <th><i>2018/19 Actual</i></th> <th><i>2019/20 Forecast</i></th> <th><i>2020/21 Forecast</i></th> </tr> <tr> <td></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>%</i></td> </tr> </thead> <tbody> <tr> <td><i>Property 1</i></td> <td style="text-align: center;">2.25</td> <td style="text-align: center;">2.27</td> <td style="text-align: center;">2.30</td> </tr> <tr> <td><i>Property 2</i></td> <td style="text-align: center;">2.14</td> <td style="text-align: center;">2.16</td> <td style="text-align: center;">2.18</td> </tr> <tr> <td><i>Property 3</i></td> <td style="text-align: center;">0.78</td> <td style="text-align: center;">1.37</td> <td style="text-align: center;">1.38</td> </tr> <tr> <td>Total Average Rate of Return</td> <td style="text-align: center;">1.77</td> <td style="text-align: center;">1.95</td> <td style="text-align: center;">1.98</td> </tr> </tbody> </table>	<i>Investment net rate of return</i>	<i>2018/19 Actual</i>	<i>2019/20 Forecast</i>	<i>2020/21 Forecast</i>		<i>%</i>	<i>%</i>	<i>%</i>	<i>Property 1</i>	2.25	2.27	2.30	<i>Property 2</i>	2.14	2.16	2.18	<i>Property 3</i>	0.78	1.37	1.38	Total Average Rate of Return	1.77	1.95	1.98				
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THE HRA REVENUE BUDGET 2020/21 AND CAPITAL PROGRAMME 2019/20 TO 2024/25	
	<u>HOUSING REVENUE ACCOUNT (HRA)</u>
	<u>Context</u>
1.	The HRA records all the income and expenditure associated with the provision and management of council owned homes in the City. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. This includes housing management, repairs and improvements, welfare advice, supported housing services, neighbourhood wardens, and capital spending on council properties.
	<u>2019/20 Forecast Outturn</u>
2.	The HRA year-end forecast position for 2019/20 shows a favourable variance of £1.89M compared to a budget of £74.24M. Further details are provided in Appendix 1 to the report on financial monitoring for the period to the end of December 2019 to be considered by Cabinet at its meeting on the 25 th February 2020.
	<u>HRA Medium Term Financial Position</u>
3.	This report sets out the HRA revenue budgets for 2020/21 and the 40 year HRA business plan covering the period 2020/21 to 2059/60. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2020/21.
4.	Following the Chancellor’s announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous Southampton City Council HRA debt cap of £199.60M has been removed, and there is now greater emphasis for councils to plan their new build strategy and financing at a local level. The process for identifying priorities and sites for new build developments is now taking place as part of the “1,000 homes” project, delivering quality, affordable council owned homes. The financial and business case work for this is ongoing, with over a quarter of the target already in the business plan. The remaining 1000 homes will be seeking financial approval in due course.
5.	<p>The HRA Business Plan supports a number of council strategies, including the Medium Term Financial Strategy, to ensure plans are affordable and budgets are aligned to the assumptions detailed in those strategies. The specific HRA Business Plan priorities are summarised below:</p> <ul style="list-style-type: none"> • All HRA debt is sustainable on a yearly basis. • Investment in existing HRA stock can be achieved within the Government’s previously set borrowing limit of £199.6M. Borrowing in excess of this limit has been included in the HRA Business Plan for additional stock investment and regeneration. • The capital spending plans include provision to maintain and improve all existing dwellings and is based on a Housing stock capital strategy that is in the process of being developed and enhanced. • A provision of £231.4M is set aside for stock replacement over the next 40 years. This provision has been phased between year 3 and year 40 of the Plan. This amount allows for the provision of 18 new dwellings each year. This is consistent with previous years’ HRA Business Plans, and is subject to change once the 1,000 homes financial appraisal and business case are submitted. • The revenue budget protects the minimum balances of £2.0M per year over the life of the Plan.

APPENDIX 3

6.	The HRA Business Plan has, at points, shown revenue balances that increase above minimum levels within the 40 year period. This has been mitigated to an extent by repayment of loans outstanding across the life of the Business Plan. The surpluses are subject to change annually, and will reflect the annual review of stock investment needs, estimated unit income and expenditure, as well as the prevailing external economic factors of the time.
7.	A 40 year HRA Business Plan has been prepared and the summary for the revenue and capital budgets is set out in Annexes 3.1 and 3.2. To ensure all council plans are aligned these reflect the key planning assumptions set out in the Medium Term Financial Strategy.
	<u>Rent & Service Charge Increases</u>
8.	The current charging mechanism for service charges in the HRA does not currently recover all costs that are applicable for a service charge. This means that tenant rent is currently covering some of the costs associated with these areas. Due to this, an element of funding is diverted away from management, maintenance and replacement of stock which has a longer term effect on the delivery of an effective HRA that meets residents and organisation objectives and expectations.
9.	Increases in service charges are proposed for 2020/21 for areas that existing service charges have been underfunding and these were communicated as part of the 2019/20 budget consultation, which covered both years. It is proposed that during 2020 a working group will continue to analyse all service charge related areas in the HRA and from there a service charge strategy be delivered for later discussion and/or approval. Supported Accommodation and Garages and Parking sites should be included within this process.
10.	In line with Central Government guidelines HRA rents will be increased by the Consumer Price Index (CPI) as at the previous September (2019) plus 1%. This amounts to an increase of 2.7% in total. The latest guidance from the Ministry of Housing, Communities and Local Government is that rents will be allowed to increase by up to CPI+1% for the years 2020/21 to 2024/25, and after that by up to CPI. These assumptions have been built into the HRA Business Plan.
11.	<p>In accordance with the decision made on two year service charge levels at the Council meeting in February last year, the charges to be levied for next year are shown below:</p> <p><u>General Service Charges</u></p> <ul style="list-style-type: none"> • Digital TV £0.43 (no increase from 2019/20) • Concierge monitoring £2.73 (£0.55 increase from 2019/20) • Door Entry System £0.22 (no increase from 2019/20) • Tower Block Warden £5.12 (no increase from 2019/20) • Walk-Up Block Wardens £1.45 (£0.91 increase from 2019/20) • Emergency Lighting Testing/Repairs £0.27 (no increase from 2019/20) • Cleaning service in walk-up blocks £0.72 (no increase from 2019/20) • Garden/Ground Maintenance – Tower & Walk Up Blocks £0.22 (no increase from 2019/20) <p><u>Supported Accommodation</u></p> <ul style="list-style-type: none"> • Call Monitoring Charge - £1.29 (no increase from 2019/20) • Careline Silver - £3.09 (no increase from 2019/20) • Careline Gold - £4.38 (no increase from 2019/20)

APPENDIX 3

	<u>Other Key Assumptions</u>																
12.	Rent arrears have continued to rise in the current financial year, 2019/20, linked to the impact of Welfare Reform. Although there is a short term impact on the Business Plan, with bad debt provision temporarily rising by 0.5% over the next 4 years, it is expected that in the longer term, the debt position will stabilise in line with national policies and internal debt collection processes.																
	<u>HRA Balances</u>																
13.	The HRA Business Plan revenue balances enable a longer term repayment of debt to take place. Following recent cost pressures, and the removal of the debt cap leading to ongoing regeneration/new build borrowing of £3.0M per year, debt repayments are still taking place during the life of the Business Plan, but there remains an outstanding debt of £13.4M at the end of the 40 year plan. This level of debt forecast in 40 years is prudent.																
14.	A significant risk to the long term plan is that, if property works related inflation was to exceed general inflation over a prolonged period, this could have a significant adverse impact on HRA balances as property costs would begin to exceed rental income. Therefore the forecast financial position is subject to annual review based on the prevailing economic factors and will also reflect the annual review of stock investment needs and estimated unit rates.																
15.	The other significant risk is changes in Central Government rental policy in the future. The current guidance is for rents to increase over a period of the next 5 years by CPI + 1% inflation. Policy thereafter is rent increases at CPI per annum.																
16.	It will be necessary to regularly undertake sensitivity analysis to assess the impact of external influences such as building inflation and changes to CPI on the business plan so that the overall budget position can be maintained to support investment in services and properties to meet the expectations of tenants and our regulatory requirements.																
17.	The HRA minimum balance will remain at £2.0M per year.																
	HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2019/20 TO 2024/25																
18.	The purpose of this report is to update the HRA Capital Programme for the period of 2019/20 to 2024/25, highlighting the changes in the programme since the last reported position to Cabinet in February 2019. The net result of the changes since the previous report is that the programme has increased by £73.71M.																
19.	The increased investment allows for a full 5 year capital programme from 2020/21, giving greater certainty to planning projects and accounts for the medium term needs of the Council's residents and their housing requirements.																
	THE FORWARD CAPITAL PROGRAMME																
20.	Table 1 shows a comparison of the latest capital expenditure for the period 2019/20 to 2024/25 compared to the previously reported programme.																
21.	<p><u>Table 1 – Programme Comparison</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Reported Programme</th> <th style="text-align: center;">2019/20 £M</th> <th style="text-align: center;">2020/21 £M</th> <th style="text-align: center;">2021/22 £M</th> <th style="text-align: center;">2022/23 £M</th> <th style="text-align: center;">2023/24 £M</th> <th style="text-align: center;">2024/25 £M</th> <th style="text-align: center;">Total £M</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Latest</td> <td style="text-align: center;">47.35</td> <td style="text-align: center;">48.05</td> <td style="text-align: center;">47.04</td> <td style="text-align: center;">42.02</td> <td style="text-align: center;">36.86</td> <td style="text-align: center;">30.64</td> <td style="text-align: center;">251.97</td> </tr> </tbody> </table>	Reported Programme	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M	Latest	47.35	48.05	47.04	42.02	36.86	30.64	251.97
Reported Programme	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M										
Latest	47.35	48.05	47.04	42.02	36.86	30.64	251.97										

APPENDIX 3

	Previous	47.35	45.96	42.30	42.37	0.28	0.00	178.26
	Variance	0.00	2.09	4.74	(0.35)	36.58	30.64	73.71
NB: Table included rounded figures								
22.	There is an overall increase in the HRA capital programme of £73.71M to £251.97M, the changes are shown by major project in table 2 below and detailed in paragraphs 24-30. A full breakdown by project is provided in Annex 3.3.							
23.	Table 2 – Major Schemes by Programme							
	Programme	Major Project	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
	Communities, culture & homes	Improving Quality of Homes	4.21	7.29	6.84	6.25	7.47	7.39
		Making Homes Energy Efficient	3.72	7.35	15.46	16.03	12.68	12.68
		Making Homes Safe	16.33	11.78	8.96	5.81	6.09	1.28
		Estate Regeneration	19.03	17.19	11.65	9.50	6.63	5.05
		Supporting Communities	0.86	1.62	2.01	2.41	1.97	2.22
		Supporting Independent Living	3.20	2.82	2.12	2.02	2.02	2.02
		TOTAL	47.35	48.05	47.04	42.02	36.86	30.64
MAJOR PROGRAMME CHANGES								
24.	<p>Improving the Quality of Homes (£9.54M addition)</p> <p>This focuses on modernisation, upgrade and improvement of common areas, and work inside tenants' homes. In particular the Block Modernisation Programme is a package of work targeting fire safety, energy efficient lighting, replacement flooring, communal decorations, and flat front door replacements.</p>							
25.	<p>Making Homes Safe (£9.83M addition)</p> <p>This consolidates works done as part of the Block Modernisation programme, with a focus on fire safety to ensure that Southampton City Council's residents remain safe. The majority of the works address the Hackett report post Grenfell, including dealing with high priority Fire Risk Assessment remedial works. Included in this category are structural repair works and water quality testing remedial works.</p>							
26.	<p>Making Homes Energy Efficient (£32.42M addition)</p> <p>This is focused on improving the thermal quality of residents' homes by reducing their U-value, which assists residents in reducing energy spend and in turn helps tackle fuel poverty. The Warmer Homes Programme is a budget developed with our 'hard to treat' pre cast concrete homes in mind, where we know our residents experience most condensation mould problems. This category also deals with the Council's on-going green city commitment by undertaking large scale energy efficiency works to the Canberra, Redbridge and Millbrook tower blocks</p>							
27.	<p>Supporting Independent Living (£5.16M addition)</p> <p>This supports Sheltered Accommodation schemes and residents requiring adaptations as a means of assisting residents to continue to live independently in their homes. This invests mainly in disabled adaptation work and upgrades to warden alarm systems.</p>							
28.	Supporting Communities (£1.80M addition)							

APPENDIX 3

	Budgets within this category support the Decent Neighbourhoods work which has a huge impact on local community engagement. It includes Estate Improvement programmes of works, which have been developed in conjunction with Housing & Neighbourhood teams.																																																																								
29.	HRA Miscellaneous (£14.96M addition) This is investment in existing council estates, encourages the engagement of local communities to develop new build estate such as Potters Court and Townhill Park.																																																																								
30.	Council is asked to approve the above additions, totalling £73.71M, to the HRA programme with approval to spend as detailed above. Additions are to be funded through a combination of capital receipts, the Major Repairs Allowance, direct revenue financing and council resources.																																																																								
OVERALL HRA CAPITAL PROGRAMME																																																																									
31.	<p>Tables 3 shows the HRA capital expenditure and the use of resources to finance the programme up to and including 2024/25.</p> <p><u>Table 3 – Capital Expenditure & Use of Resources</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="text-align: center;">2019/20£ M</th> <th style="text-align: center;">2020/21 £M</th> <th style="text-align: center;">2021/22 £M</th> <th style="text-align: center;">2022/23 £M</th> <th style="text-align: center;">2023/24 £M</th> <th style="text-align: center;">2024/25 £M</th> <th style="text-align: center;">Total £M</th> </tr> </thead> <tbody> <tr> <td>HRA Programme</td> <td style="text-align: right;">47.35</td> <td style="text-align: right;">48.05</td> <td style="text-align: right;">47.04</td> <td style="text-align: right;">42.02</td> <td style="text-align: right;">36.86</td> <td style="text-align: right;">30.64</td> <td style="text-align: right;">251.97</td> </tr> <tr> <td>*CR - Borrowing</td> <td style="text-align: right;">(13.40)</td> <td style="text-align: right;">(10.98)</td> <td style="text-align: right;">(13.39)</td> <td style="text-align: right;">(7.76)</td> <td style="text-align: right;">(2.71)</td> <td style="text-align: right;">(1.23)</td> <td style="text-align: right;">(49.47)</td> </tr> <tr> <td>Capital Receipts</td> <td style="text-align: right;">(5.60)</td> <td style="text-align: right;">(7.80)</td> <td style="text-align: right;">(5.94)</td> <td style="text-align: right;">(5.10)</td> <td style="text-align: right;">(4.03)</td> <td style="text-align: right;">(3.33)</td> <td style="text-align: right;">(31.79)</td> </tr> <tr> <td>Contributions</td> <td style="text-align: right;">(0.26)</td> <td style="text-align: right;">(0.00)</td> <td style="text-align: right;">(0.26)</td> </tr> <tr> <td>Capital Grants</td> <td style="text-align: right;">(0.19)</td> <td style="text-align: right;">(0.00)</td> <td style="text-align: right;">(0.19)</td> </tr> <tr> <td>Revenue Financing</td> <td style="text-align: right;">(7.94)</td> <td style="text-align: right;">(8.81)</td> <td style="text-align: right;">(6.81)</td> <td style="text-align: right;">(7.63)</td> <td style="text-align: right;">(8.07)</td> <td style="text-align: right;">(3.50)</td> <td style="text-align: right;">(42.75)</td> </tr> <tr> <td>MRA</td> <td style="text-align: right;">(19.97)</td> <td style="text-align: right;">(20.47)</td> <td style="text-align: right;">(20.90)</td> <td style="text-align: right;">(21.53)</td> <td style="text-align: right;">(22.06)</td> <td style="text-align: right;">(22.59)</td> <td style="text-align: right;">(127.51)</td> </tr> <tr> <td>Total Financing</td> <td style="text-align: right;">(47.35)</td> <td style="text-align: right;">(48.05)</td> <td style="text-align: right;">(47.04)</td> <td style="text-align: right;">(42.02)</td> <td style="text-align: right;">(36.86)</td> <td style="text-align: right;">(30.64)</td> <td style="text-align: right;">(251.97)</td> </tr> </tbody> </table> <p>*CR – Council Resources NB: Table contains rounded figures</p>		2019/20£ M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M	HRA Programme	47.35	48.05	47.04	42.02	36.86	30.64	251.97	*CR - Borrowing	(13.40)	(10.98)	(13.39)	(7.76)	(2.71)	(1.23)	(49.47)	Capital Receipts	(5.60)	(7.80)	(5.94)	(5.10)	(4.03)	(3.33)	(31.79)	Contributions	(0.26)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.26)	Capital Grants	(0.19)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.19)	Revenue Financing	(7.94)	(8.81)	(6.81)	(7.63)	(8.07)	(3.50)	(42.75)	MRA	(19.97)	(20.47)	(20.90)	(21.53)	(22.06)	(22.59)	(127.51)	Total Financing	(47.35)	(48.05)	(47.04)	(42.02)	(36.86)	(30.64)	(251.97)
	2019/20£ M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Total £M																																																																		
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32.	Table 3 demonstrates that the most significant amount of funding is MRA (Major Repairs Allowance).																																																																								
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3.1	HRA 40 Year Business Plan Operating Account																																																																								
3.2	HRA Major Repairs and Improvement Plan																																																																								
3.3	HRA Capital Scheme Details																																																																								

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

Year	Year	Income			Expenditure						Net Operating (Expenditure) £,000	Repayment of loans £,000	RCCO £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000
		Net rent Income £,000	Other income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Other Revenue spend £,000	Total expenses £,000	Capital Charges £,000							
		1	2020.21	70,058	4,486	74,544	(21,507)	(20,471)	(18,449)	(100)							
2	2021.22	72,180	4,432	76,612	(21,985)	(20,897)	(18,743)	(103)	(61,729)	(5,723)	9,160	(2,349)	(6,811)	0	2,000	0	2,000
3	2022.23	74,275	4,565	78,840	(22,519)	(21,531)	(18,965)	(106)	(63,122)	(6,078)	9,640	(2,010)	(7,630)	(0)	2,000	0	2,000
4	2023.24	76,076	4,706	80,783	(23,091)	(22,058)	(19,205)	(109)	(64,463)	(6,242)	10,078	(2,010)	(8,068)	(0)	2,000	0	2,000
5	2024.25	80,005	4,848	84,852	(23,673)	(22,585)	(19,466)	(112)	(65,836)	(6,162)	12,854	(9,010)	(3,503)	341	2,000	0	2,341
6	2025.26	79,954	4,993	84,947	(24,291)	(23,192)	(19,765)	(116)	(67,363)	(5,998)	11,586	(9,010)	(636)	1,940	2,341	0	4,281
7	2026.27	81,460	5,143	86,603	(24,931)	(23,839)	(20,081)	(119)	(68,970)	(5,905)	11,728	(6,010)	(3,725)	1,993	4,281	0	6,274
8	2027.28	82,994	5,297	88,291	(25,589)	(24,503)	(20,400)	(123)	(70,614)	(5,846)	11,831	(2,010)	(5,957)	3,863	6,274	0	10,137
9	2028.29	84,556	5,456	90,012	(26,263)	(25,186)	(20,721)	(126)	(72,297)	(5,768)	11,948	(5,010)	(6,092)	846	10,137	0	10,983
10	2029.30	86,149	5,620	91,769	(26,956)	(25,888)	(21,045)	(130)	(74,019)	(5,689)	12,061	(2,010)	(6,229)	3,821	10,983	0	14,805
11	2030.31	89,459	5,788	95,248	(27,666)	(26,609)	(21,372)	(134)	(75,781)	(5,665)	13,802	(2,010)	(4,511)	7,280	14,805	0	22,085
12	2031.32	89,428	5,962	95,390	(28,396)	(27,350)	(21,701)	(138)	(77,585)	(5,615)	12,190	(3,402)	(4,853)	3,935	22,085	0	26,019
13	2032.33	91,116	6,141	97,257	(29,144)	(28,111)	(22,033)	(142)	(79,431)	(5,462)	12,364	(7,749)	(5,025)	(410)	26,019	0	25,610
14	2033.34	92,836	6,325	99,161	(29,912)	(28,894)	(22,366)	(147)	(81,319)	(5,287)	12,554	(4,714)	(5,080)	2,760	25,610	0	28,370
15	2034.35	94,574	6,515	101,089	(30,700)	(29,699)	(22,702)	(151)	(83,251)	(5,159)	12,679	(4,082)	(5,228)	3,369	28,370	0	31,739
16	2035.36	98,182	6,710	104,892	(31,507)	(30,519)	(23,040)	(155)	(85,221)	(4,948)	14,723	(4,964)	(2,949)	6,809	31,739	0	38,548
17	2036.37	98,117	6,912	105,029	(32,334)	(31,362)	(23,677)	(160)	(87,534)	(4,784)	12,711	(5,060)	(3,041)	4,610	38,548	0	43,158
18	2037.38	99,938	7,119	107,057	(33,184)	(32,228)	(24,332)	(165)	(89,909)	(4,655)	12,493	(2,100)	(3,136)	7,258	43,158	0	50,416
19	2038.39	101,793	7,333	109,126	(34,056)	(33,118)	(25,005)	(170)	(92,349)	(4,204)	12,573	(17,492)	(3,233)	(8,152)	50,416	0	42,264
20	2039.40	103,683	7,552	111,236	(34,951)	(34,033)	(25,696)	(175)	(94,854)	(3,929)	12,452	0	(3,333)	9,119	42,264	0	51,384
21	2040.41	105,608	7,779	113,387	(35,869)	(34,972)	(26,406)	(180)	(97,427)	(3,929)	12,031	0	0	12,031	51,384	0	63,414
22	2041.42	109,638	8,012	117,650	(36,811)	(35,937)	(27,136)	(186)	(100,070)	(3,929)	13,651	0	0	13,651	63,414	0	77,065
23	2042.43	109,567	8,253	117,820	(37,778)	(36,929)	(27,886)	(191)	(102,784)	(3,865)	11,171	(1,482)	0	9,689	77,065	0	86,754
24	2043.44	111,602	8,500	120,102	(38,770)	(37,948)	(28,656)	(197)	(105,571)	(3,787)	10,744	(2,570)	0	8,175	86,754	0	94,929
25	2044.45	113,675	8,755	122,430	(39,789)	(38,994)	(29,447)	(203)	(108,433)	(3,738)	10,259	0	0	10,259	94,929	0	105,187
26	2045.46	115,787	9,018	124,805	(40,834)	(40,070)	(30,260)	(209)	(111,373)	(3,738)	9,694	0	0	9,694	105,187	0	114,881
27	2046.47	117,938	9,289	127,226	(41,906)	(41,174)	(31,096)	(215)	(114,392)	(3,738)	9,096	0	(4,318)	4,779	114,881	0	119,660
28	2047.48	122,439	9,567	132,006	(43,007)	(42,309)	(31,954)	(222)	(117,492)	(3,738)	10,776	0	(4,518)	6,259	119,660	0	125,918
29	2048.49	122,361	9,854	132,216	(44,136)	(43,475)	(32,836)	(228)	(120,675)	(3,738)	7,802	0	(4,655)	3,147	125,918	0	129,065
30	2049.50	124,636	10,150	134,785	(45,295)	(44,673)	(33,742)	(235)	(123,945)	(3,738)	7,102	0	(4,797)	2,305	129,065	0	131,371
31	2050.51	126,952	10,454	137,407	(46,484)	(45,904)	(34,673)	(242)	(127,303)	(3,207)	6,897	(12,349)	(4,942)	(10,395)	131,371	0	120,976
32	2051.52	129,312	10,768	140,080	(47,705)	(47,168)	(35,629)	(250)	(130,751)	(3,148)	6,181	(8,500)	(5,092)	(7,411)	120,976	0	113,565
33	2052.53	134,250	11,091	145,341	(48,957)	(48,467)	(36,611)	(257)	(134,292)	(2,840)	8,208	(8,500)	(5,246)	(5,538)	113,565	0	108,027
34	2053.54	134,166	11,424	145,590	(50,242)	(49,801)	(37,621)	(265)	(137,928)	(2,517)	5,144	(8,670)	(5,405)	(8,931)	108,027	0	99,097
35	2054.55	136,661	11,767	148,428	(51,561)	(51,171)	(38,657)	(273)	(141,663)	(2,215)	4,550	(8,500)	(5,569)	(9,519)	99,097	0	89,578
36	2055.56	139,203	12,120	151,323	(52,915)	(52,579)	(39,723)	(281)	(145,498)	(1,893)	3,932	(8,670)	(5,737)	(10,474)	89,578	0	79,103
37	2056.57	141,793	12,483	154,276	(54,303)	(54,026)	(40,817)	(289)	(149,436)	(1,570)	3,270	(8,670)	(5,910)	(11,310)	79,103	0	67,793
38	2057.58	144,431	12,858	157,289	(55,729)	(55,512)	(41,941)	(298)	(153,480)	(1,261)	2,548	(8,500)	(6,089)	(12,041)	67,793	0	55,752
39	2058.59	149,948	13,243	163,191	(57,191)	(57,038)	(43,096)	(307)	(157,633)	(955)	4,604	(8,500)	(6,272)	(10,169)	55,752	0	45,584
40	2059.60	149,857	13,641	163,497	(58,692)	(58,607)	(44,283)	(316)	(161,898)	(649)	951	(8,500)	(6,462)	(14,010)	45,584	0	31,573

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

Year	Year	Expenditure					Financing					
		Major Works & Imps £,000	New Build Development Costs £,000	New Build Major Repairs £,000	Other £,000	Total Expenditure £,000	Borrowing £,000	Right To Buy 141 Receipts £,000	Other Right To Buy Receipts £,000	Depreciaton £,000	Revenue Contributions to Capital Outlay £,000	Total Financing £,000
1	2020.21	30,858	17,193	0	0	48,051	10,977	5,158	2,639	20,471	8,805	48,051
2	2021.22	35,396	11,645	0	0	47,041	13,392	3,494	2,447	20,897	6,811	47,041
3	2022.23	32,519	9,503	0	0	42,022	7,762	2,851	2,248	21,531	7,630	42,022
4	2023.24	30,229	6,629	0	0	36,858	2,704	1,989	2,038	22,058	8,068	36,858
5	2024.25	25,592	5,050	0	0	30,642	1,226	1,515	1,813	22,585	3,503	30,642
6	2025.26	27,901	3,657	0	0	31,557	5,060	1,097	1,573	23,192	636	31,557
7	2026.27	28,643	3,766	0	0	32,409	2,100	1,130	1,615	23,839	3,725	32,409
8	2027.28	29,404	3,879	0	0	33,283	0	1,164	1,659	24,503	5,957	33,283
9	2028.29	30,185	3,996	0	0	34,181	0	1,199	1,705	25,186	6,092	34,181
10	2029.30	30,987	4,115	0	0	35,103	0	1,235	1,751	25,888	6,229	35,103
11	2030.31	29,869	4,239	83	0	34,191	0	1,272	1,799	26,609	4,511	34,191
12	2031.32	30,662	4,366	333	0	35,362	0	1,310	1,849	27,350	4,853	35,362
13	2032.33	31,475	4,497	412	0	36,385	0	1,349	1,900	28,111	5,025	36,385
14	2033.34	32,310	4,632	474	0	37,416	100	1,390	1,952	28,894	5,080	37,416
15	2034.35	33,166	4,771	539	0	38,476	0	1,431	2,118	29,699	5,228	38,476
16	2035.36	31,614	4,914	591	0	37,120	0	1,474	2,177	30,519	2,949	37,120
17	2036.37	32,451	5,061	646	0	38,159	0	1,518	2,237	31,362	3,041	38,159
18	2037.38	33,310	5,213	704	0	39,227	0	1,564	2,300	32,228	3,136	39,227
19	2038.39	34,191	5,370	765	0	40,326	0	1,611	2,364	33,118	3,233	40,326
20	2039.40	35,095	5,531	828	0	41,454	0	1,659	2,430	34,033	3,333	41,454
21	2040.41	31,736	5,697	895	0	38,328	0	1,709	2,498	34,122	0	38,328
22	2041.42	32,575	5,868	965	0	39,408	0	1,760	2,568	35,080	0	39,408
23	2042.43	33,435	6,044	1,039	0	40,517	0	1,813	2,640	36,064	0	40,517
24	2043.44	34,317	6,225	1,116	0	41,658	0	1,868	2,714	37,076	0	41,658
25	2044.45	35,222	6,412	1,196	0	42,830	0	1,924	2,790	38,117	0	42,830
26	2045.46	41,290	6,604	1,281	0	49,175	0	1,981	2,869	44,324	0	49,175
27	2046.47	42,378	6,802	1,369	0	50,549	0	2,041	2,950	41,241	4,318	50,549
28	2047.48	43,494	7,006	1,462	0	51,962	0	2,102	3,033	42,309	4,518	51,962
29	2048.49	44,639	7,216	1,559	0	53,414	0	2,165	3,119	43,475	4,655	53,414
30	2049.50	45,814	7,433	1,660	0	54,907	0	2,230	3,207	44,673	4,797	54,907
31	2050.51	47,018	7,656	1,767	0	56,441	0	2,297	3,298	45,904	4,942	56,441
32	2051.52	48,254	7,886	1,878	0	58,018	0	2,366	3,392	47,168	5,092	58,018
33	2052.53	49,522	8,122	1,994	0	59,638	0	2,437	3,489	48,467	5,246	59,638
34	2053.54	50,823	8,366	2,115	0	61,304	0	2,510	3,588	49,801	5,405	61,304
35	2054.55	52,156	8,617	2,242	0	63,016	0	2,585	3,690	51,171	5,569	63,016
36	2055.56	53,525	8,875	2,375	0	64,775	0	2,663	3,796	52,579	5,737	64,775
37	2056.57	54,928	9,142	2,513	0	66,583	0	2,742	3,904	54,026	5,910	66,583
38	2057.58	56,367	9,416	2,658	0	68,441	0	2,825	4,016	55,512	6,089	68,441
39	2058.59	57,844	9,698	2,809	0	70,351	0	2,910	4,131	57,038	6,272	70,351
40	2059.60	59,358	9,989	2,967	0	72,314	0	2,997	4,249	58,607	6,462	72,314

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HOUSING REVENUE ACCOUNT

Sum2	Scheme No.	Description	Budget 2019/20 £M	Budget 2020/21 £M	Budget 2021/22 £M	Budget 2022/23 £M	Budget 2023/24 £M	Budget 2024/25 £M	Total £M
Improving Quality of Homes	CG0065	Roofing Lot 1 West- Flat Roofs	0.814	1.948	1.946	1.946	0.134	1.192	7.980
	CG0066	Roofing Lot 2 East- Pitched Roofs	0.475	1.384	1.384	1.384	3.289	1.794	9.710
	CG0083	Door Entry Systems	0.250	0.319	0.364	0.352	0.250	0.250	1.785
	CG0087	Wall Structure & Finish	0.250	0.270	0.745	0.679	1.229	1.650	4.823
	CG0093	Lift Refurbishment – Canberra Towers	0.061	0.000	0.000	0.000	0.000	0.000	0.061
	CG0096	Housing Refurbishment Programme	0.850	1.166	1.166	1.166	1.166	1.166	6.680
	CG0163	Renew Porch/Canopy	0.050	0.250	0.250	0.250	0.250	0.250	1.300
	CG0174	Lift Refurbishment - Shirley Towers	0.560	1.165	0.556	0.046	0.718	0.718	3.763
	CG0186	Electrical System Upgrades/Refurbishments	0.100	0.633	0.332	0.331	0.329	0.317	2.042
	CG0189	Total Mobile	0.800	0.100	0.050	0.050	0.050	0.000	1.050
HCAP1	HHSRS and Disrepair	0.000	0.050	0.050	0.050	0.050	0.050	0.250	
Improving Quality of Homes Total			4.210	7.285	6.843	6.254	7.465	7.387	39.444
Making Homes Energy Efficient	CG0084	External Windows and Doors	0.052	1.650	2.200	3.300	3.300	3.300	13.802
	CG0089	Electrical Heating Systems	0.000	0.100	2.700	2.000	2.000	2.000	8.800
	CG0099	ECO: City Energy Scheme	0.680	0.500	0.200	0.000	0.000	0.000	1.380
	CG0125	Energy Company Obligations - Canberra Towers	0.600	2.800	2.800	2.800	1.450	1.450	11.900
	CG0129	Energy Company Obligations - Thornhill Heating	0.100	0.100	2.289	2.289	2.289	2.289	9.356
	CG0130	Energy Company Obligations - Lydgate - External Wall Insulation	1.210	0.127	0.000	0.000	0.000	0.000	1.337
	CG0180	Milner Court Heating Upgrade	0.350	0.000	0.000	0.000	0.000	0.000	0.350
	CG0181	Gas Heating Upgrades/Refurbishments	0.600	0.835	0.855	1.222	1.222	1.222	5.956
	CG0182	Insulation Upgrades	0.050	0.100	1.056	1.055	1.056	1.056	4.373
	CG0183	Millbank House EWI Refurbishment	0.000	0.050	2.000	2.000	0.000	0.000	4.050
CG0184	Millbrook House - EWI Upgrade	0.075	0.200	1.359	1.359	1.359	1.359	5.711	
CG0185	Albion Towers Heating	0.000	0.883	0.000	0.000	0.000	0.000	0.883	
Making Homes Energy Efficient Total			3.717	7.345	15.459	16.025	12.676	12.676	67.898
Making Homes Safe	CG0080	Communal Areas Works	0.717	0.979	0.497	0.400	0.641	0.000	3.234
	CG0082	Structural Works	5.062	3.268	2.993	0.000	0.000	0.000	11.323
	CG0097	Hants Fire & Rescue Service - Fire Safety / Sprinkler Project	7.600	4.052	0.000	0.000	0.000	0.000	11.652
	CG0100	Water Quality Remedial Works	0.452	0.150	0.150	0.150	0.150	0.150	1.202
	CG0102	Remedial Works Following Compliance Inspections	0.200	0.100	0.100	0.100	0.100	0.100	0.700
	CG0123	Hants Fire & Rescue Service - Fire Safety (Doors)	0.187	0.000	0.000	0.000	0.000	0.000	0.187
	CG0127	Tower Block Communal Works	0.079	0.000	0.000	0.000	0.000	0.000	0.079
	CG0178	Structural Works	0.834	0.834	0.834	0.834	0.834	0.834	5.004
	CG0179	Non High Rise FRA Remedial Works	0.100	0.200	0.200	0.200	0.200	0.200	1.100
CG0187	Block Modernisation Programme	1.100	2.200	4.190	4.130	4.160	0.000	15.780	
Making Homes Safe Total			16.331	11.783	8.964	5.814	6.085	1.284	50.261
Estate Regeneration	CG0114	Townhill Park Regeneration	2.193	4.807	2.312	1.333	1.455	0.000	12.100
	CG0116	Estate Regeneration Woodside/Wimpson	13.900	4.233	1.180	0.000	0.000	0.000	19.313
	CG0119	Right to Buy - Satisfactory Purchase Scheme	1.500	1.500	1.500	1.500	1.500	1.500	9.000
	CG0190	GN New Homes	0.000	0.000	0.000	3.343	3.447	3.550	10.340
	CG0191	Oaklands Site	1.440	6.653	6.653	3.327	0.227	0.000	18.300
Estate Regeneration Total			19.033	17.193	11.645	9.503	6.629	5.050	69.053
Supporting Communities	CG0069	Decent Neighbourhoods: Future Decent Neighbourhood Schemes	0.425	0.855	1.287	1.681	1.258	1.500	7.006
	CG0090	Roads/Paths/Hard Standing	0.100	0.321	0.321	0.321	0.321	0.321	1.705
	CG0109	THP Phase 2 MacArthur/Vanguard	0.020	0.000	0.000	0.000	0.000	0.000	0.020
	CG0110	Decent Neighbourhoods: Shirley	0.035	0.000	0.000	0.000	0.000	0.000	0.035
	CG0111	Decent Neighbourhoods: Estate Improvement Programme (EIP)	0.200	0.200	0.200	0.200	0.200	0.200	1.200
	CG0112	DN: Cuckmere Lane	0.075	0.051	0.004	0.000	0.000	0.000	0.130
	HCAP2	Ward Cllr Area Improvements	0.000	0.200	0.200	0.200	0.200	0.200	1.000
Supporting Communities Total			0.855	1.627	2.012	2.402	1.979	2.221	11.096
Supporting Independent Living	CG0104	Renew Warden Alarm	0.908	0.518	0.518	0.424	0.424	0.424	3.216
Supporting Independent Living	CG0177	Disabled Adaptations	2.300	2.300	1.600	1.600	1.600	1.600	11.000
Supporting Independent Living Total			3.208	2.818	2.118	2.024	2.024	2.024	14.216
			47.354	48.051	47.041	42.022	36.858	30.642	251.968
Sources of Finance									
		Council Resources	13.402	10.978	13.392	7.762	2.705	1.226	49.465
		Capital Receipts	5.599	7.797	5.941	5.099	4.027	3.328	31.791
		Contributions	0.260	0.000	0.000	0.000	0.000	0.000	0.260
		Other Grants	0.188	0.000	0.000	0.000	0.000	0.000	0.188
		MRA	19.968	20.471	20.897	21.531	22.058	22.585	127.510
		Direct Revenue	7.937	8.805	6.811	7.630	8.068	3.503	42.754
Total Programme			47.354	48.051	47.041	42.022	36.858	30.642	251.968
Total Programme			47.354	48.051	47.041	42.022	36.858	30.642	251.968

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STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT**1. INTRODUCTION**

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

2. GENERAL POSITION

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

3. OBLIGATION TO MAKE A COUNCIL TAX

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

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

4. DEFICIT BUDGETING

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

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

5. BORROWING

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

6. OTHER RELEVANT LEGISLATION

- a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
- b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
- c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 26 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

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

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

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

9. PERSONAL LIABILITY AND SURCHARGE

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

10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

- a. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council.

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

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

- a) *The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) *The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) *Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*
- d) *Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.*

11. OTHER LEGAL IMPLICATIONS

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