Public Document Pack

Cabinet

Tuesday, 15th September, 2020
at 4.30 pm

PLEASE NOTE TIME OF MEETING

PLEASE NOTE: this will be a 'virtual meeting', a link to which will be available on Southampton City Council's website at least 24hrs before the meeting

Members

Leader – Councillor Hammond
Deputy Leader and Cabinet Member for Customer and Organisation – Councillor Rayment
Cabinet Member for Children and Learning - Councillor Dr Paffey
Cabinet Member for Culture and Homes – Councillor Kaur
Cabinet Member for Finance & Income Generation – Councillor Barnes-Andrews
Cabinet Member for Health and Adults – Councillor Fielker;
Cabinet Member for Green City and Place – Councillor Leggett
Cabinet Member for Stronger Communities – Councillor Shields

(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.

Municipal Year Dates (Tuesdays)

2020	2021
16 June	19 January
14 July	9 February
18 August	23 Feb (budget)
15 September	16 March
20 October	20 April
17 November	
15 December	

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

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

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

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

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

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

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

Southampton: Corporate Plan 2020-2025 sets out the four key outcomes:

- Communities, culture & homes - Celebrating the diversity of cultures within Southampton; enhancing our cultural and historical offer and using these to help transform our communities.
- Green City - Providing a sustainable, clean, healthy and safe environment for everyone. Nurturing green spaces and embracing our waterfront.
- Place shaping - Delivering a city for future generations. Using data, insight and vision to meet the current and future needs of the city.
- Wellbeing - Start well, live well, age well, die well; working with other partners and other services to make sure that customers get the right help at the right time

CONDUCT OF MEETING

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

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

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.

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.

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

AGENDA

1 APOLOGIES

To receive any apologies.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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

EXECUTIVE BUSINESS

3 STATEMENT FROM THE LEADER

4 RECORD OF THE PREVIOUS DECISION MAKING (Pages 1 - 2)

Record of the decision making held on 18th August, 2020, attached.

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

There are no matters referred for reconsideration.

6 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)

There are no items for consideration

7 EXECUTIVE APPOINTMENTS

To deal with any executive appointments, as required.

MONITORING REPORTS

8 FINANCIAL MONITORING FOR THE PERIOD TO END OF JULY 2020 AND COVID-19 BUDGET MATTERS (Pages 3 - 92)

To consider the report of the Cabinet Member for Finance and Income Generation detailing the revenue and capital financial monitoring for the period to the end of July 2020 and COVID-19 Budget matters.

ITEMS FOR DECISION BY CABINET

9 SUPPORT FOR CARE PROVIDERS – EXTENSION OF FINANCIAL SUPPORT TO ADULT SOCIAL CARE PROVIDERS (Pages 93 - 142)

To consider the report of the Cabinet Member for Health and Adults to seek approval for ongoing support for the adult social care market to enable the Council meets its Care Act 2014 statutory duties to ensure there remains a diverse, sustainable and high-quality health and social care market within the city, despite the challenges to providers from the response to COVID-19. Also to ensure market readiness to respond to the pressures anticipated for the local health and care system this winter and any potential future spikes in COVID-19.

10 TENANCY STRATEGY & LANDLORD TENANCY POLICY (Pages 143 - 170)

To consider the report of the Cabinet Member for Culture and Homes seeking approval of the updated Tenancy Strategy and Landlord Tenancy Policy.

Monday, 7 September 2020 Service Director – Legal and Business Operations

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 18 AUGUST 2020

Present:

Councillor Hammond	-	Leader of the Council
Councillor Rayment	-	Deputy Leader and Cabinet Member for Customer and Organisation
Councillor Fielker	-	Cabinet Member for Health and Adults
Councillor Leggett	-	Cabinet Member for Green City and Place
Councillor Dr Paffey	-	Cabinet Member for Children & Learning
Councillor Shields	-	Cabinet Member for Stronger Communities
Councillor Barnes-Andrews	-	Cabinet Member for Finance & Income Generation

Apologies: Councillor Kaur, Cabinet Member for Culture and Homes

8. SCRUTINY INQUIRY PANEL - TACKLING CHILDHOOD OBESITY IN SOUTHAMPTON FINAL REPORT

On consideration of the report of the Chair of the Scrutiny Panel Inquiry – Tackling Childhood Obesity in Southampton and with an amendment to include youth services in the move to support early years providers, schools and colleges to champion healthy food choices and active ways of living (Recommendation 6), Cabinet agreed to receive the report and the recommendations contained within it and to submit a formal response within two months of this receipt.

9. INCREASE IN PUPIL NUMBERS AT THE CEDAR SPECIAL SCHOOL AND THE POLYGON SPECIAL SCHOOL

DECISION MADE: (CAB 20/21 29268)

On consideration of the report of the Cabinet Member for Children and Learning, Cabinet agreed the following:-

(i) To approve the publication of statutory proposals to:

a) Increase the PAN of Cedar Special School from 80 to 90 pupils from 1 January 2021 resulting in an increase in total school capacity and pupil numbers of 10 once the proposals have been fully implemented across all age ranges.
b) Increase the PAN of The Polygon Special School from 60 to 70 pupils from 1 January 2021 resulting in an increase in total school capacity in pupil numbers of 10 once the proposals have been fully implemented.

(ii) To note, a further report to determine the proposals following a 4 week period of representation will be brought to Cabinet within 2 months of the close of the representation period.

10. TIER 4 CAMHS HOSPITAL INDEPENDENT EDUCATION PROVISION POLICY

DECISION MADE: (CAB 20/21 29243)

On consideration of the report of the Cabinet Member for Children and Learning, Cabinet agreed the following:

(i) To approve the Tier 4 CAMHS Hospital Independent Education Provision Policy for the academic year 2020-2021.
(ii) To authorise the Service Lead for Education to take any action necessary to give effect to the (said) policy and to authorise any changes necessary to (said) policy, where required to give effect to any Acts, Regulations or revisions whenever they arise.

11. COMMUNITY CHEST GRANTS 2020/21

DECISION MADE: (CAB 20/21 29197)

On consideration of the report of the Director of Quality and Integration seeking approval on round 2 awards for the Community Chest Grants 2020/21, the Cabinet Member for Stronger Communities noted the withdrawal of the Merry Oak Community Association request and agreed the following:

(i) To agree the recommendations for 2020/21 round 1 grants made by the cross-party Community Chest Grant Advisory Panel

DECISION-MAKER:		CABINET COUNCIL		
SUBJECT:		FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JULY 2020 AND COVID-19 BUDGET MATTERS		
DATE OF DECISION:		15 SEPTEMBER 2020 16 SEPTEMBER 2020		
REPORT OF:		CABINET MEMBER FOR FINANCE & INCOME GENERATION		
CONTACT DETAILS				
AUTHOR:	**Name:**	Steve Harrison	**Tel:**	0739 2864525
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STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

This report is a combined financial monitoring report for revenue and capital.

The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of July 2020, and informs Cabinet and Council of any major changes in the overall General Fund and HRA capital programme for the period 2020/21 to 2024/25. It also reports on the financial position with COVID-19 and the budget pressures it has created and how these will be addressed at Appendix 3.

The Chief Financial Officer has a duty to comment and advise on the robustness of estimates and the adequacy of reserves when setting a budget, normally considered in the light of risks faced and the need for financial resilience. The budget, when agreed in February 2020, included sums to guard against both known risks, such as budget pressures in social care, and unknown risks, to ensure as far as possible the council operated under a resilient financial framework. The report seeks to address the budget pressures as set out by utilising contingency sums and reserves, although such sums cannot provide a longer term solution.

For some information that is normally only available quarterly the report reflects the position for the first quarter of 2020/21, and this is indicated where relevant.

RECOMMENDATIONS:

	General Revenue Fund It is recommended that Cabinet:	
	i)	Note the forecast outturn position for business as usual activities is a £1.46M overspend, as outlined in paragraph 4 below and also in paragraph 1 and table 1 of Appendix 1.
	ii)	Note the performance of treasury management, and financial outlook in paragraphs 13 to 17 of Appendix 1.
	iii)	Note the Key Financial Risk Register as detailed in paragraph 20 of Appendix 1.
	iv)	Note the performance against the financial health indicators detailed in paragraphs 24 and 25 of Appendix 1.
	v)	Note the performance outlined in the Collection Fund Statement detailed in paragraphs 29 to 34 of Appendix 1.
	vi)	Notes the allocated £4.16M from the Social Care Demand Risk reserve to address the overspend forecast in Children & Learning as set out in paragraph 3 of Appendix 1.
	vii)	Notes the financial position arising from COVID-19, as outlined in paragraphs 4 to 11 of Appendix 1, with further details at paragraphs 3 to 7 of Appendix 3 and annexe 3.1, with a shortfall of £28.8M resulting as forecast at period 4 (end of July 2020). This is in addition to the 'business as usual' adverse variance reported in Appendix 1 as at the end of period 4 (July 2020) of £1.46M.
	viii)	Notes and supports addressing the budget shortfall as outlined in paragraphs 8 to 16 and table 1 of Appendix 3. This means using £9.6M of corporate budgets, a £2.7M underspend at period 4, after applying £4.16M from the Social Care demand reserve to eliminate the Children & Learning overspend and £1.5M of in-year savings. This will go forward for approval at full Council.
	ix)	Notes that without further funding from Government for COVID-19 costs incurred, a further £10.9M is estimated as at risk as per paragraph 10 of Appendix 3.
	x)	Notes that work is on-going, following the release of the final draft on 24 August of the Government scheme on income compensation, to confirm the likely compensation due to Southampton City Council initially estimated at £4.1M. Until this amount can be confirmed, this sum as also 'at risk' and a lesser figure could mean an increase in the shortfall faced.
	Housing Revenue Account It is recommended that Cabinet:	
	xi)	Note the forecast outturn position on business as usual activities is an under spend of £0.54M as outlined in paragraph 5 below and also paragraphs 26 and 27 of Appendix 1.
	Capital Programme	

	It is recommended that Cabinet:	
	xii)	Notes the revised General Fund Capital Programme, which totals £654.95M as detailed in Appendix 2 paragraph 1, table 1 and Annexe 2.5, and the associated use of resources.
	xiii)	Notes the revised HRA Capital Programme, which totals £210.98M as detailed in Appendix 2 paragraph 1, table 1 and Annexe 2.5 and the associated use of resources.
	xiv)	Notes that the overall forecast position for 2020/21 as at July 2020 is £194.15M, resulting in a potential underspend of £21.46M, as detailed in Appendix 2 paragraph 5 and table 3.
	xv)	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.
	xvi)	Notes that £17.60M has been removed from the programme with relevant approvals. These changes are detailed in annexe 2.1 to Appendix 2.
	xvii)	Approves slippage and rephasing as detailed in paragraph 2 & 3 of Appendix 2. Noting that the movement has zero net movement over the 5 year programme.
	xviii)	Notes that a review has taken place of the capital programme in the light of COVID-19.
	xix)	Notes and supports the delays to capital scheme works and the application of new funds other than borrowing to support the capital programme as outlined in paragraphs 19 to 20 of Appendix 3 and annexe 3.2, which will then go forward for approval at full Council.
	xx)	Notes and supports the proposed revised General Fund capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
	xxi)	Notes and supports the proposed revised HRA capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
	<u>General Revenue Fund</u> It is recommended that Council:	
	i)	Note the forecast outturn position as outlined in this report, including for business as usual and COVID-19 costs.
	ii)	Approves addressing the budget shortfall as outlined in paragraphs 8 to 16 and table 1 of Appendix 3. This means using £9.6M of corporate budgets, a £2.7M underspend at period 4, after applying £4.16M from the Social Care demand reserve to eliminate the Children & Learning overspend and £1.5M of in-year savings.
	<u>Capital Programme</u> It is recommended that Council:	
	iii)	Notes the revised General Fund and HRA capital programme as outlined in this report.
	iv)	Approves the delays to capital scheme works and the application of new funds other than borrowing to support the capital programme as outlined in paragraphs

		19 to 20 of Appendix 3 and annexe 3.2.
	v)	Approves the proposed revised General Fund capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
	vi)	Approves the proposed revised HRA capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
REASONS FOR REPORT RECOMMENDATIONS		
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.	Not Applicable.	
DETAIL (including consultation carried out)		
	Revenue	
3.	The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of July 2020 and key issues are summarised in Appendix 1.	
4.	The current forecast spending on business as usual activities against the council's net General Fund revenue budget for the year of £190.82M is projected to be a £1.46M overspend. This would move to a £2.70M underspend if the Social Care Demand Risk Reserve is used to meet pressures within Children & Learning.	
5.	The forecast position for the HRA on business as usual activities is an under spend of £0.54M against an expenditure budget of £75.60M.	
6.	In addition to the variances reported above, there is a forecast budget pressure from COVID-19 of £28.83M for the General Fund which is summarised in Appendix 1 (paragraphs 4 to 12) with more detail given in Appendix 3 of the report. For the HRA the forecast pressure from COVID-19 is £1.29M, with more information at paragraph 29 of Appendix 1.	
	Capital	
7.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2020/21 to 2024/25, highlighting the changes in the programme. The report also notes the major forecast variances against the approved estimates. A net £17.60M has been removed from the programme, which reflects the addition of Future Transport Zone spending less a reduced programme for the Connected Southampton programme following confirmation of the grant funding available from Government, which was lower than assumed at the time the programme was agreed.	
8.	The current forecast position for 2020/21 at end of July 2020 is £194.15M, resulting in a potential underspend of £21.46M, as detailed in table 3 of Appendix 2.	
RESOURCE IMPLICATIONS		
Capital/Revenue		
9.	The revenue and capital implications are contained in the report.	
Property/Other		
10.	There are no specific property implications arising from this report other than the	

	schemes already referred to within Appendix 2 and 3 of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report</u>:	
11.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications</u>:	
12.	None.
RISK MANAGEMENT IMPLICATIONS	
13.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
14.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring
3.	Financial Impact of COVID-19

Documents In Members' Rooms

1.	None
2.	
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents **Equality Impact Assessment and Other Background documents available for inspection at:**	
Title of Background Paper(s)	Relevant Paragraph of the Access to

	Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	Council Tax Setting and Related Matters (Council 20 February 2020)	
2.		

	REVENUE FINANCIAL MONITORING FOR THE PERIOD TO JULY 2020
	FINANCIAL POSITION
1.	The current forecast spending against the Council's net General Fund revenue budget on business as usual (BAU) activities for the year is projected to be a £1.46M overspend. In addition there are net pressures arising from the COVID-19 pandemic of £28.83M. The report has updated the usual financial estimates from quarter 1 (end of June) to end of July (period 4) to coincide with information submitted at the end of July on a return required by Government on COVID-19 costs. This overall financial position is summarised in Table 1 below.

Table 1 – General Revenue Fund Forecast 2020/21

	Budget July 2020 £M	**BAU Annual Forecast as at July 2020 £M**	**BAU Forecast Variance July 2020 £M**	**COVID-19 Forecast Pressures July 2020 £M**
Portfolios Net Expenditure	171.27	176.52	5.25 A	44.96 A
Non-Portfolio Net Expenditure	19.55	15.76	3.78 F	16.14 F
Net Revenue Expenditure	**190.82**	**192.28**	**1.46 A**	**28.83 A**
Financing	(190.82)	(190.82)	0.00	0.00
(Surplus) / Deficit for the year	**0.00**	**1.46**	**1.46 A**	**28.83 A**

NB Numbers are rounded

2.	More detail, including explanations of significant variances as at July 2020 (in excess of £0.2M) is provided in Annex 1.1, which separates out 'business as usual from COVID related.
	'**Business as Usual' and Budget 2020/21**
3.	The most significant adverse variance on business as usual activities is in the Children & Learning portfolio, which is forecast to overspend by £4.16M. Most of this relates to Looked After Children Provision, due to the higher number of children in residential care and independent fostering agencies than budgeted. As part of the Medium Term Financial Strategy agreed by Council in February 2020, a £6.0M extra contribution was made to the Social Care Demand Risk Reserve, taking it to £7.0M in total, to be called upon if necessary to meet Social Care pressures. If this reserve funding is used, in part, to meet the £4.16M of pressures in Children & Learning, this overall position for the General Fund revenue budget would be **a £2.70M underspend**, and this is the recommended course of action. It will still leave a balance of around £2.84M in the reserve to cater for any new social care budget pressures.

	COVID-19 and General Fund Budget 2020/21
4	The financial impact of COVID-19 has been closely tracked since the crisis began. The intelligence gathered has been used to inform monthly returns that have been required by Government. The figures are in line with the return made at the end of July, though the picture continues to change.
5	The Council's response to the crisis has been informed by the statement made at the outset by the Cabinet Minister, Robert Jenrick, that "the government stands ready to do whatever is necessary to support councils in their response to coronavirus". The council has therefore played a leading role in responding to the crisis across the district, working alongside partners to manage the response of local services and support residents during the lockdown and afterwards. This has inevitably led to high levels of additional costs to the Council that could not have been anticipated when the 2020/21 budget was set, and not all of which have (so far) been met through additional government support.
6	General funding from Government so far has been in 3 Tranches, as follows: • £1.6BN nationally announced at the outset of the crisis in March, with the SCC share being £7.4M (tranche 1) • Another £1.6BN nationally in April, with SCC share being £7.0M (tranche 2) • A further £0.5BN nationally announced in July with the SCC share being £2.5M (tranche 3) Each of the tranches announced has applied a different mechanism to calculate grant entitlement, with Government in effect steering a greater or lesser share to different authorities and classes of authority. The total share to SCC has been £16.9M, of which around £0.5M was used in 2019/20 leaving £16.4M to offset costs incurred in the current financial year.
7	Correspondence from Government relating to the three tranches of general grant support announced so far stated that funding would support: • Meeting the increased demand for adult social care and enable councils to provide additional support to social care providers. • Meeting the extra demand and higher business as usual costs of providing children's social care. • Providing additional support for the homeless and rough sleepers. • Providing support to those at higher risk of severe illness from COVID-19 • Meeting the demand pressures from other services.
8	Furthermore, Government has undertaken to underwrite an element of income permanently lost from sales fees and charges in 2020/21. This is only a proportion, some losses will remain with the authority, and for losses of income in other areas (such as commercial rents) the Government has been clear it will provide zero funding assistance. A calculation and submission to Government for this compensation will be made during September.
9	As identified in table 1 above, the impact of COVID in 2020/21 is forecast at around £45M, which after applying the balance of the Government grant support available reduces to £28.8M. The impact has been felt not only in terms of additional (unbudgeted expenditure), but also a loss of revenue as services were temporarily closed/curtailed such as car parks, museums and the Itchen bridge toll. The agreed budget savings programme for 2020/21 has also inevitably stalled due to the priority COVID-19 has necessarily been given. Of the £28.8M in year-budget pressure arising from COVID-19, per table 1, a cautious estimate of £4.1M has been made for the loss of income compensation to be claimed, and there is a

	further £10.9M of costs directly attributable to the areas specified in paragraph 7 where Government support could still be forthcoming. Assuming this additional funding is realised it would lower the net budget pressure from £28.8M to £13.8M needed in year. It is proposed to address this pressure in the following way: • **£9.6M** will be applied from the contingency and risk budgets held corporately (outside of the portfolio areas). • **£1.5M** of in-year savings will be found from a combination of measures including more stringent management of staff related expenditure in relation to use of temporary and short term contract staff plus vacancy management. There will also be a budget saving from the corporate budget for capital financing, arising from some proposals occurring less quickly than original expected. Whilst there are no decisions to halt any work in the capital programme, a more detailed examination of the impact of COVID and the capital programme will be brought forward for consideration as part of the 2021/22 budget work. • **£2.7M** arising from the period 4 underspend as detailed in paragraph 3 above can also be applied. The total measures above amount to £13.8M therefore eliminating the forecast budget pressure as at period 4 (end of July), though much will depend on further Government support without which an additional shortfall is almost unavoidable.
10	The estimated forecast of a net £28.8M extra costs does not take into account the severe impact that COVID is having upon Council Tax and Business Rates income to the Council, which is outlined in paragraphs 29 to 34 below. The way any loss of funding for these areas is accounted for, via the Collection Fund, would produce an adverse impact in 2021/22 onwards rather than the current financial year, increasing any future budget shortfall.
11	More information around the impact of COVID-19 on the Council's finances in 2020/21 and the proposals for how this is dealt with are the subject of Appendix 3 of this report.
	Implementation of General Fund Savings Proposals
12	Of the £11.84M savings plans included within the 2020/21 budget £4.87M have been achieved or are on track to be achieved before the end of this financial year. £6.07M of the remaining £6.97M have not been progressed because of the COVID-19 pandemic, and are included within the COVID-19 forecast pressures reported in Table 1 above.
	Treasury Management
13	The Treasury Management monitoring information is as at quarter 1 2020/21. Borrowing and investment balances as at 30 June 2020 and forecasts for the year-end are set out in Annex 1.2. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is an estimated increase in net borrowing of £273.85M for 2020/21.
14	As a result of the current economic uncertainty, the benchmark gilt rates for PWLB loans remain at historic lows, however following the government's announcement on 9 October 2019 that the margin on loans has increased from 0.8% to 1.8% this is now relatively expensive, and market alternatives will be considered. In his March 2020 Budget the Chancellor announced a reduction in the margin on new HRA loans to 0.8%, which represents a discount of 1% below the usual PWLB borrowing rate.
15	The initial reaction to the COVID crisis in March meant that short term liquidity became difficult and Government sought to assist cash flow by providing up front funding as far as possible. As a result year end investment balances were higher than expected and have remained so during the first quarter of 2020/21 but are expected to fall throughout the year.

16	The Council will continue to monitor the financial markets closely in light of uncertainties over the impact of the COVID-19 pandemic and the ending of the transition period for the UK's exit from the EU, and will keep its treasury management strategy under review.
17	Annex 1.2 includes an overview of current performance along with an update on the financial outlook. The Council approved a number of indicators at its meeting in February 2020. The Council has operated within the agreed prudential indicators for the first 3 months of the year and is forecast to do so for the remainder of the year.
	Reserves & Balances
18	The General Fund Balance is currently £10.07M with no planned drawdown during the year.
19	At the 31 March 2020, earmarked revenue reserves totalled £86.20M, plus Schools Balances totalling £1.57M. The estimated forecast position as at the 31 March 2021 is £58.04M plus Schools Balances forecast to be £0.69M. Using the Social Care Demand Risk Reserve to meet the business as usual pressures in Children & Learning would reduce the non-school reserves to £53.88M i.e. £4.16M of funds would be applied from reserves to neutralise the overspend forecast for Children & Learning.
	Key Financial Risks
20	The Council maintains a financial risk register which details the key financial risks that face the Council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 1.3.
	Schools
21	As at 31 July 2020 there were 13 schools reporting a deficit balance totalling £4.72M. This is one school less than the position reported at 31 March 2020. There are also 34 schools reporting a surplus totalling £5.41M. The net position is therefore an overall surplus of £0.69M. Schools with deficit budgets continue to be supported by the Education Finance Team to develop Deficit Recovery Plans (DRP) and additional resources have been made available in 2020/21 to provide this support. There are 3 schools scheduled to transfer to academy status in 2020/21, one of these is voluntary and the other two are compulsory. The two schools being compulsorily converted to academies have a combined deficit position forecast of between £1.0M - £1.2M for which the Council will need to provide for under legislation. The transfers to academy status are currently scheduled to take place in January 2021. These schools are working with the Finance Team to find in-year savings to reduce these forecast deficits prior to conversion.
22	The Forecast outturn for the Dedicated Schools Grant (DSG) is an £8.87M overspend. This area is ring-fenced and the overspend will not impact on the General Fund and the non-school services the council provides. This overspend is being driven by significant year on year increases in Education Health Care Plans (EHCPs) and increasing numbers of expensive out of city placements in independent school settings. A working party has commenced a strategic review of High Needs activity to mitigate pressures. The variance includes a cumulative DSG overspend of £7.42M brought forward from the previous year. Pressures on the High Needs services is a nationally recognised issue with significant pressures reported in most local authorities. The 17% increase in High Needs funding in 2020/21 has mitigated some of the pressure being experienced but further work is needed to reduce costs where possible. £0.52M of the adverse DSG variance is as a consequence of COVID-19, mostly due to loss of parent income at the Hardmoor maintained nursery setting (£0.30M) and loss of income through cancellation of training courses and room lettings (£0.22M).

	COVID-19 and Dedicated Schools Grant (DSG) Budget 2020/21
23	The Department for Education (DFE) have confirmed that schools will continue to receive their core funding allocations for 2020/21, regardless of any periods of any partial or complete closure due to COVID-19. The DFE have provided additional funding to schools to cover additional costs as a result of COVID-19. The funding is focused on specific items: Increased premises costs associated with keeping schools open during school holiday periods, support for free school meals where these costs are not covered by the national voucher scheme and additional cleaning costs required due to suspected or confirmed COVID-19 cases. The additional funding does not however cover the costs of loss of self-generated income which the DFE recognise will put some schools budgets under pressure. Schools have been required to submit claims for their approved additional costs directly to the DFE up to eligible limits depending on the number of pupils at their school. The funding is to cover only the period March to July 2020. While we do not know how long the current situation will continue, future funding beyond July 2020 has not yet been announced. So far 11 schools have had their claims approved totalling around £71,000 for the period March to July 2020. The DFE are currently assessing other claims submitted and will issue the outcome in due course. It is expected that schools will experience a variety of additional pressures to ensure the safe running of their establishments which are not covered by the additional funding and that whilst schools will be expected to, as far as possible, manage these within existing budgets there will be cost pressures affecting budgets for many schools.
	<u>Financial Health Indicators</u>
24	In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Annex 1.4 outlines the performance as at quarter 1 2020/21, 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.
25	Targets for income collection, creditor payments and tax collection rates are being assessed in light of the COVID-19 pandemic and have not yet been included.
	<u>Housing Revenue Account</u>
26	The forecast position for the Housing Revenue Account on business as usual (BAU) activities for the year is projected to be a £0.54M under spend as summarised in Table 2 below. In addition there are net pressures arising from the COVID-19 pandemic of £1.29M.

Table 2 – Housing Revenue Account Forecast 2020/21

	Budget July 2020 £M	BAU Annual Forecast as at July 2020 £M	BAU Forecast Variance July 2020 £M	COVID-19 Forecast Pressures July 2020 £M
Expenditure	75.60	75.12	0.48 F	1.25 A
Income	(75.60)	(75.66)	0.06 F	0.04 A
(Surplus) / Deficit for the year	**0.00**	**(0.54)**	**0.54 F**	**1.29 A**

NB Numbers are rounded

27 The most significant favourable variance to budget on business as usual activities relates to Housing Investment (£0.40M). Further details are provided in Annex 1.5.

COVID-19 and Housing Revenue Account (HRA) Budget 2020/21

28 COVID is expected to have an impact on both income collection and service delivery for the Housing Revenue Account. Increased financial hardship for tenants is expected to lead to an increase in rent arrears, and the potential for a material number of tenants migrating onto Universal Credit due to the impact on the wider economy.

There is also the effect of the lockdown during the first part of the financial year, and the ongoing social distancing guidance which has had, and will continue to have over the coming months, an impact on the ability to deliver the capital programme and planned maintenance works within the existing approved 2020/21 budget. This delay could lead to a further backlog of works in the coming financial year(s), with the potential for increased costs due to dilapidations in the interim. This is also likely to put pressure on the reactive maintenance budget over this period as emergency works on dwellings will still be required.

Collection Fund (covering business rates and council tax collection)

29 Annex 1.6 shows the forecast outturn position for the Collection Fund at July 2020, with the position summarised in Table 3. The Collection Fund operates on behalf of not only Southampton City Council (SCC) but also Hampshire Police and Hampshire Fire and Rescue Authority as they also receive a share of the proceeds of these income streams. The net impact for SCC alone is shown in the final line of table 3.

	Table 3 – Collection Fund Forecast 2020/21

	Council Tax £M	NDR £M	Total £M
Distribution of previous years' estimated Surplus/(Deficit)	(0.30)	0.51	0.21
Other income and expenditure	1.12	50.07	51.19
Deficit for the year	**0.82**	**50.58**	**51.40**
Deficit/(Surplus) brought forward from 2019/20	2.63	(0.68)	1.95
Overall Deficit/(Surplus) Carried Forward	**3.45**	**49.90**	**53.35**
SCC Share of Deficit/(Surplus)	**2.92**	**24.41**	**27.33**
LESS: SCC - additional Grant from Government to fund rates reliefs		(24.55)	(24.55)
SCC Net Share of Deficit/(Surplus) after additional Grant	**2.92**	**(0.14)**	**2.78**

NB Numbers are rounded

30	The table shows the net impact for SCC only as a forecast £2.78M deficit, once additional grant allocations from Government are factored in. This is based on bills raised for 2020/21 as at the end of July 2020. The biggest factor in this forecast arises from a reduction in council tax income from tax payers, due to factors such as an increase in local council tax support scheme claimants. This is met, in part, by Government Hardship Fund grant.
31	There is, however, a high level of uncertainty about the impact of COVID-19 on the Collection Fund as the forecast will reflect underlying economic factors expected for the year, many of which are still to be apparent. The position is expected to worsen significantly during the year as the anticipated economic downturn takes effect. The number of local council tax support scheme claimants is expected to increase as and when unemployment levels rise. Rate relief on empty property is also likely to rise if businesses are forced to close. For both council tax and business rates budgeted growth may not be achieved due to inactivity during the lockdown period and a slowdown in the economy. The SCC share of the deficit could increase by a range of £5M to £8M, if these effects start to fully materialise, though there is considerable uncertainty as yet. As a high risk, this area will be carefully monitored as the economic effects of COVID-19 become clear and re-estimated, refined and updated. It will also be a key area to monitor and refresh as part of the Medium Term Financial Strategy work, underpinning future budget setting.
32	The Collection Fund must track all council tax and business rate income, even though the Southampton share is only one part of this. The overall position for the Collection Fund in total is a deficit to be carried forward of £53.35M before extra Government grant.
33	For Non-Domestic Rates the vast majority of the total Collection Fund deficit relates to the Government's expansion of the retail discount scheme (to 100% relief for the retail, leisure and hospitality sectors) and introduction of the nursery discount scheme in response to COVID-19, a total of £50.04M additional relief compared to the original estimate. These additional reliefs are being funded by Government grant (known as S31 grant). A lower contribution to the appeals provision than budgeted has been forecast for 2020/21 to reflect the large reduction in net rates payable following the award of the additional reliefs.
34	The Government is considering extended the period over which collection fund deficits have to be recovered from one year to three years. This provides some breathing space, although it

	does not in itself provide any additional funding. We await details on this proposal from Government.

Annexes

1. General Revenue Fund Forecast July 2020
2. Treasury Management Qtr 1 2020/21
3. Key Financial Risk Register July 2020
4. Health Indicators Qtr 1 2020/21
5. HRA Forecast July 2020
6. Collection Fund Forecast July 2020

Appendix 2
Annexe 1.1

OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR 2020/21

Portfolio	**Budget July 2020 £M**	**BAU* Annual Forecast as at July 2020 £M**	**BAU* Forecast Variance July 2020 £M**	**COVID Forecast Pressures July 2020 £M**
Children & Learning	48.85	53.01	4.16 A	3.97 A
Culture & Homes	8.87	8.97	0.10 A	2.01 A
Customer & Organisation	27.60	28.11	0.51 A	0.33 A
Finance & Income Generation	(3.59)	(3.66)	0.06 F	4.82 A
Green City & Place	23.07	24.27	1.20 A	5.09 A
Health & Adults	63.70	62.86	0.84 F	27.64 A
Stronger Communities	2.79	2.96	0.18 A	1.10 A
Total Portfolios	**171.27**	**176.52**	**5.25 A**	**44.96 A**
Levies & Contributions	0.09	0.09	0.00	0.00
Capital Asset Management	9.92	9.92	0.00	0.22 A
Other Expenditure & Income	9.54	5.75	3.78 F	16.36 F
Net Revenue Expenditure	**190.82**	**192.28**	**1.46 A**	**28.83 A**
Draw from Balances	0.00	0.00	0.00	0.00
Council Tax	(102.28)	(102.28)	0.00	0.00
Business Rates	(54.57)	(54.57)	0.00	0.00
Non-Specific Government Grants	(33.97)	(33.97)	0.00	0.00
Total Financing	**(190.82)**	**(190.82)**	**0.00**	**0.00**
(SURPLUS)/DEFICIT	**0.00**	**1.46**	**1.46 A**	**28.83 A**

NB Numbers are rounded

*Business as usual

EXPLANATIONS BY PORTFOLIO

1. CHILDREN & LEARNING PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **overspend** by **£4.16M** at year-end on business as usual activities, which represents a percentage overspend against budget of **8.51%.** In addition, £3.97M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	July 2020 % of budget	COVID-19 Forecast Pressures July 2020 £M
Children & Learning	**4.16 A**	**8.51**	**3.97 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
Divisional Management and Legal	0.17 A
Looked After Children & Provision	3.18 A
Multi Agency Safeguarding Hub & Children In Need	0.68 A
Quality Assurance Business Unit	0.08 A
Other	0.06 A
Total	**4.16 A**
Dedicated Schools Grant (DSG)	**8.35 A**

The SIGNIFICANT business as usual issues for the Portfolio are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
Looked After Children Provision	3.18 A	The adverse variance reflects the current numbers of children in residential care and independent fostering agencies (IFA), adjusted for any children that are scheduled to leave care or move onto the Pathways Team.
Multi Agency Safeguarding Hub & Children In Need	0.68 A	The adverse variance relates to estimated additional agency staff requirement due to pressures within this service. The numbers of agency staff are constantly under review with a view to ending these agency contracts where possible

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
Education – Early Years and Asset Management	1.19 A	The adverse variance relates to additional costs for Home to School Transport social distancing measures in the main, including additional journeys and the need to employ more escorts for the autumn and spring terms. There are also pressures due to loss of income in the Educational Psychologists teams from cancelled courses and training of £0.03M.
Education – High Needs & Schools	0.22 A	The adverse variance is due to loss of £0.17M income from cancelled Music lessons and additional £0.05M costs of providing holiday period school places for vulnerable children and children of key workers.
Looked After Children Provision	1.96 A	The adverse variance reflects the forecast numbers of additional children that may be expected to enter residential care and independent fostering agencies (IFA). Savings of £0.13M will not be met this year due to the delayed development of a specialist foster care team.
Multi Agency Safeguarding Hub & Children In Need	0.46 A	The adverse variance relates to estimated additional agency staff requirement due to pressures within this service as a consequence of COVID-19.

NOTE: The DSG grant forecast includes an in-year forecast overspend from increasing High Needs demand of £1.45M mainly being driven by significant year on year increases in Education Health Care Plans (EHCP's). The EHCP's are also becoming increasingly complex which is also impacting on the pressure. The other key significant activity impacting on the pressure is the increase in places for children with special needs being placed in expensive out of city independent settings. There is also a brought forward balance from 2019/20 of £7.42M providing a cumulative forecast pressure of £8.87M (including £0.52M COVID related). This will need to be addressed by the ring-fenced funding within schools and is therefore not a pressure for the General Fund.

DSG overspends in the area of High Needs is a national issue. A working party of key stakeholders exists to review activity across High Needs to identify strategic cost reduction measures to reduce the overspend over the next 3 years.

2. CULTURE & HOMES PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **overspend** by **£0.10M** at year-end on business as usual activities, which represents a percentage overspend against budget of **1.17%.** In addition, £2.01M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	July 2020 % of budget	COVID-19 Forecast Pressures July 2020 £M
Culture & Homes	**0.10 A**	**1.17**	**2.01 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	BAU Forecast Variance July 2020 £M
Leisure Client	0.10 A
Total	**0.10 A**

There are no SIGNIFICANT business as usual issues for the Portfolio

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
Leisure Client	0.34 A	There is an overall adverse variance due to expected contractual issues.
Cultural Services	0.95 A	The temporary closure of the cultural venues such as Tudor House and SeaCity Museum has impacted on income generation. SeaCity has been reopened with appropriate social distancing measures in place, however these have reduced capacity. The opening of Tudor House is still under review to ensure it can open safely. The number of visitors is also expected to be impacted over the course of the year due to a reduced number of tourists in the city. The estimated adverse impact on the venues is £0.60M over the course of the financial year. Income loss from events unable to take place in the city is estimated at £0.15M. The overall adverse variance for libraries is £0.20M. This is made up of £0.13M loss of income following the temporary closure of the library service and £0.07M costs associated with reopening the libraries in July.
Housing Need	0.52 A	£0.32M of additional expenditure is anticipated around block booking of guest houses relating to rough sleepers. Also, £0.20M additional expenditure is forecast supporting single adults in relation to homelessness.
Private Sector Housing	0.20 A	Inspections of properties have been impacted by COVID-19. This has caused delays in issuing of licenses in the first half of the financial year and anticipated loss of income.

3. CUSTOMER & ORGANISATION PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **overspend** by **£0.51M** at year-end on business as usual activities, which represents a percentage overspend against budget of **1.84%.** In addition, £0.33M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	**July 2020 % of budget**	**COVID-19 Forecast Pressures July 2020 £M**
Customer & Organisation	**0.51 A**	**1.84**	**0.33 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
Customer Services	0.13 F
IT Services	0.90 A
Projects, Policy & Change	0.29 F
Other	0.03 A
Total	**0.51 A**

The SIGNIFICANT business as usual issues for the Portfolio are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
IT Services	0.90 A	There is an adverse position forecast for a saving target on Major IT projects for which a plan is currently being drawn up to identify any potential savings for this financial year.
Projects Policy & Performance	0.29 F	There is an overall favourable variance due to a delay in recruitment to the cohort of new posts created as part of the 2020/21 budget.

There are no SIGNIFICANT COVID-19 pressures for the Portfolio.

4. FINANCE & INCOME GENERATION PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **underspend** by **£0.06M** at year-end on business as usual activities, which represents **1.78%** as a percentage of the budget. In addition, £4.82M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	**July 2020 % of budget**	**COVID-19 Forecast Pressures July 2020 £M**
Finance & Income Generation	**0.06 F**	**1.78**	**4.82 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
Accounts Payable	0.15 F
Commercialisation	0.04 F
Corporate Planning	0.19 A
Other	0.07 F
Total	**0.06 F**

There are no SIGNIFICANT business as usual issues for the Portfolio.

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID Forecast Pressures July 2020 £M	Explanation
Commercialisation	0.30 A	The adverse variance is due to the additional costs of purchasing PPE equipment across the authority whereby the costs are shown centrally.

Corporate Planning	2.81 A	The adverse variance relates to the Investment Property Fund £2.75M and non implementation of the revised charging policy £0.06M.
Local Taxation & Benefits Service	0.39 A	There is £0.06M savings in the central legal budget due to a lower than expected call upon this budget for pursuing non-payment for council tax and business rates. These are offset with additional costs of £0.45M due to non-achievement of savings as a result of Covid-19 pressures. This is comprised of savings losses of £0.16M for increased debt recovery of council tax, due to a delay in implementing new software systems with increased email and text reminders; and savings of £0.29M due to the reduction of bad debt and cost of recovery from an improved recovery rate, as a result of a worsening economic forecast since lockdown began in March.
Property Portfolio Management	1.29 A	The existing investment property portfolio has a significant number of tenants in the retail and hospitality sector that have had restrictions on their ability to trade under government COVID-19 mitigation measures. It is estimated that around £1.19M will not be receivable in the financial year from reduced income as part of profit share arrangements and some rental income not being collectable due to the financial pressures faced by tenants operating in these industries. There is also an adverse variance of £0.10M from an unachievable savings target associated with increasing rental income by disposing of low yielding properties and investing proceeds in properties that generate a higher return. Market conditions are making the achievement of the saving difficult in this financial year however work is being planned to determine how the saving could be achieved in the current climate.

5. GREEN CITY & PLACE PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **overspend** by **£1.20M** at year-end on business as usual activities, which represents a percentage overspend against budget of **5.19%.** In addition, £5.09M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	**July 2020 % of budget**	**COVID-19 Forecast Pressures July 2020 £M**
Green City & Place	**1.20 A**	**5.19**	**5.09 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
City Services – Commercial Services	0.19 A
City Services – District Operating Areas	0.43 A
City Services – Waste Operations	0.49 A
Other	0.09 A
Total	**1.20 A**

The SIGNIFICANT business as usual issues for the Portfolio are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
City Services – District Operating Areas	0.43 A	Sickness and vacancies in the team have given rise to additional overtime and temporary staffing costs. There is also an adverse variance due to additional vehicle running costs for the ageing vehicle fleet.

City Services – Waste Operations	0.49 A	Recycling income for 2020/21 is expected to be significantly reduced since the resale market for recycling material has been indirectly impacted by COVID-19. Current estimate is an adverse variance of £0.22M. A further £0.26M adverse variance relates to, an increase in tonnage rate for tipping costs for commercial waste, additional bin storage costs pending move of bins to Red Lodge depot, reduction of income from bin sales and costs for damage and repair of vehicles.

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
City Services – District Operating Areas	0.33 A	The forecast variance represents the potential cost of additional cleansing over and above business as usual activities, as well as recognising an unachievable saving target due to the impact of COVID-19 on the rollout of compactor bins.
City Services – Waste Operations	0.30 A	There are income pressures in commercial waste collection, following the closure of non-essential businesses during lockdown, and reduced income following suspension of green waste in April. Costs associated with the restricted reopening of HWRCs and associated traffic management have been built into the forecast. These pressures have been partly relieved by an anticipated fall in disposal costs during the first quarter of 2020/21.
Transportation	0.26 A	The savings target of £0.25M for Council wide transport costs from a corporate review is forecast not to be achieved as the review has not been completed. Provision has been made in the budget for resources to develop the project in 2020/21 but COVID-19 is impacting on progress. The additional £0.01M is from staffing variances to help deal with the service response to COVID-19.

Parking & Itchen Bridge	3.93 A	Charging for Itchen bridge, and for parking facilities, was suspended during April and May 2020 in response to the COVID-19 pandemic. Charging was reintroduced from June but traffic volumes are expected to be lower over the rest of the financial year. The forecast adverse variance on Itchen Bridge for the financial year is £1.50M, and the overall variance across all streams of off-street parking income is £2.43M.

6. HEALTH & ADULTS PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **underspend** by **£0.84M** at year-end on business as usual activities, which represents a percentage underspend against budget of **1.32%.** In addition, £27.64M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	July 2020 % of budget	COVID-19 Forecast Pressures July 2020 £M
Health & Adults	**0.84 F**	**(1.32)**	**27.64 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
Long Term	0.46 F
Public Health	0.35 F
Provider Services	0.06 A
Safeguarding Adult Mental Health & Out of Hours	0.06 F
Other	0.03 F
Total	**0.84 F**

The SIGNIFICANT business as usual issues for the Portfolio are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
Long Term	0.46 F	There is a forecast £0.67M underspend due to a reduction of clients in Nursing and Residential care as well as direct payments partly due to hospital discharge costs being picked up by the NHS and partly due to COVID-19 excess deaths. There is also a net £0.20M overspend in Learning Disabilities in relation to increased care package costs and additional new clients.
Public Health	0.35 F	Net savings of £0.35M made due to interim arrangements prior to implementation of a new staffing structure. This is offsetting Public Health COVID-19 costs elsewhere (the funding is ring-fenced).

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
Integrated Commissioning Unit	0.75 A	Due to the COVID-19 outbreak a 10% Block contract uplift has been applied to appropriate provider care support contracts as well as the cost of additional COVID-19 staffing resource and Personal Protective Equipment.
Long Term	24.26 A	There are forecast to be additional client package costs and savings unachieved as a result of COVID-19. This includes additional contract uplift to providers, additional staffing cost and increased pressure upon the Adult Social Care system.
Public Health	0.35 A	The COVID-19 outbreak cost pressure of £0.35M has been offset in Public Health by savings from increased salary budgets resulting from a new proposed structure and funding in the reserve account identified for COVID-19 costs.

Provider Services	0.42 A	There is a forecast adverse variance due to additional remedial works and agency staff that are required for Holcroft House and Kentish Road.
Reablement & Hospital Discharge	0.98 A	There is a forecast adverse variance due to increased overtime, protective equipment and staffing required during the COVID-19 crisis.
Safeguarding Adult Mental Health & Out of Hours	0.88 A	There are forecast to be additional client package costs as a result of COVID-19. This Includes additional contract uplift to providers, additional staffing cost and increased pressure upon Adult Social Care system.

7. STRONGER COMMUNITIES PORTFOLIO

KEY REVENUE ISSUES – JULY 2020

The Portfolio is currently forecast to **overspend** by **£0.18M** at year-end on business as usual activities, which represents a percentage overspend against budget of **6.31%.** In addition, £1.10M of pressures arising from the COVID-19 pandemic are forecast for the year.

	BAU Forecast Variance July 2020 £M	July 2020 % of budget	COVID-19 Forecast Pressures July 2020 £M
Stronger Communities	**0.18 A**	**6.31**	**1.10 A**

A summary of the Portfolio business as usual forecast variance is shown in the table below:

Service Area	**BAU Forecast Variance July 2020 £M**
Bereavement Services	0.10 A
Port Health & Trading Standards	0.01 A
Registration Services	0.08 A
Total	**0.18 A**

There are no SIGNIFICANT business as usual issues for the Portfolio.

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
Bereavement Services	0.46 A	During March 2020, a decision was made to install temporary mortuary facilities to cope with expected additional mortality rates in Hampshire from COVID-19. £0.41M of the variance relates to Southampton City Council's share of the setup and running costs of the facility between April and June 2020. The forecast also includes the estimated impact of COVID-19 on Coroners costs of £0.05M.
Registration Services	0.45 A	Following the implementation of lockdown due to the COVID-19 pandemic, the number of services provided by Registration services has been extremely limited. The only income generating service during lockdown was registration of deaths, and latterly births. Wedding ceremonies have had to be postponed and, in some cases have been cancelled, which is likely to have an impact on income for the whole of 2020/21. In addition to the lost income, additional costs are being incurred to facilitate reopening of services with appropriate social distancing measures, including additional cleansing costs and security measures.

8. NON-PORTFOLIO EXPENDITURE & INCOME

KEY REVENUE ISSUES – JULY 2020

Non-Portfolio Expenditure & Income is currently forecast to **underspend** by **£3.78M** at year-end on business as usual activities, which represents a percentage underspend against budget of **39.7%**. In addition, a favourable variance of £16.14M is forecast to offset pressures arising from the Covid-19 pandemic.

	BAU Forecast Variance July 2020 £M	**July 2020 % of budget**	**COVID-19 Forecast Pressures July 2020 £M**
Non-Portfolio Expenditure & Income	**3.78 F**	**(39.7)**	**16.14 F**

The SIGNIFICANT business as usual issues for the Portfolio are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
Other Expenditure & Income	3.78 F	Release of revenue funding previously set aside for capital financing.

The SIGINFICANT COVID-19 pressures for the Portfolio are:

Service Area	COVID-19 Forecast Pressures July 2020 £M	Explanation
Capital Asset Management	0.22 A	Forecast loss of income from CCLA Property Fund.
Other Expenditure & Income	16.36 F	As at the end of July 2020 the Government had allocated 3 tranches of emergency funding to local authorities, £7.40M for tranche 1 at the end of March 2020, £7.00M for tranche 2 in May 2020 and £2.49M for tranche 3 in July 2020 (received in early August). £0.53M of tranche 1 was used to meet COVID-19 costs in 2019/20 and the remainder carried forward into 2020/21.

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Treasury Management (at quarter 1)

Borrowing and Investments

1. The table below shows the year's opening balance of borrowing and investments, the levels as at 30 June 2020 and those predicted for year-end. Forecast borrowing is currently based on the programme approved in February and will be subject to review during the year.

2.

	31-Mar-20 Actual £M	31-Mar-20 Average %	30-Jun-20 Actual £M	30-Jun-20 Average %	31-Mar-21 Forecast £M	31-Mar-20 Forecast %
Long Term Borrowing						
Public Works Loan	257.87	2.88	255.12	2.70	513.70	2.72
LOBO Loans from Banks	9.00	4.89	9.00	4.86	9.00	4.88
	266.87	**2.95**	**264.12**	**2.81**	**522.70**	**2.78**
Short Term Borrowing						
Other Local Authorities	10.00	0.92	5.00	0.67	10.00	0.61
Other						
Total External Borrowing	**276.87**	**0.92**	**269.12**	**2.74**	**532.70**	**2.70**
Other Long Term Liabilities						
PFI Schemes	54.00	9.01	52.48	8.82	50.96	9.16
Deferred Debt Charges (HCC)	13.83	2.66	13.64	2.61	13.46	2.70
Total Gross External Debt	**344.70**	**3.87**	**335.25**	**4.08**	**597.12**	**3.87**
Investments:						
Managed In-House						
Government & Local Authority	0.00	0.00	(10.00)	0.20		
Cash (Instant access)	(31.11)	0.34	(35.72)	0.23	(10.00)	0.06
Cash (Notice Account)	0.00	0.00	(3.14)	0.01	0.00	0.01
Long Term Bonds	(3.01)	5.30	(3.03)	5.30	(3.00)	5.30
Managed Externally						
Pooled Funds (CCLA) & Shares	(27.02)	4.35	(27.02)	3.71	(27.02)	3.00
Total Investments	**(61.15)**	**4.44**	**(78.91)**	**3.12**	**(40.02)**	**2.44**
Net Debt	**283.55**		**256.34**		**557.10**	

3. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is a current estimated increase in net borrowing of around £273.5M for the year.

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.

<u>Borrowing</u>

5. The forecast cost of financing the council's loan debt is £15.92M of which £5.0M 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 remain at historic lows, however 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 £0.010M for each £1M borrowed, this is now relatively expensive, and market alternatives will be considered in consultation with our advisors, Arlingclose before any long term borrowing is taken.

	These alternatives will not be as straightforward as borrowing from the PWLB and the strength of individual authorities will be scrutinised by investors and commercial lenders to determine the rate.
7.	The Chancellor's March 2020 Budget statement included further significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields: the value of this discount is 1% below the rate at which the authority can usually borrow from the PWLB. There is also £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% available to support specific local authority infrastructure projects for which there is a bidding process.
8.	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 during the year to replace maturing long term debt, expected reduction in reserves and to fund the forecast capital programme for the year, until a decision is taken with regards to long term borrowing. Any increase in short term borrowing costs will be offset by a reduction in long term costs.
	<u>Investment</u>
9.	The initial reaction to the COVID crisis in March meant that short term liquidity became difficult and Government sought to assist cash flow by providing up front funding as far as possible, both in terms of the grants to businesses administered by the Council on its behalf and the funding to the local authority itself (under the business rates retention scheme). As a result of this grant funding year end investment balances were higher than expected and have remained so during the quarter but are expected to fall throughout the year to an estimated £40M by the end of the year, as we have a number of debt maturities and an ongoing capital programme, but this will be dependent on actual capital spend and movement in balances. Investment balances have ranged between £114M and £61M during the quarter and are currently £79M. The impact of COVID-19 will continue during the year and will be reported at each quarter and as part of the mid-year Treasury Report to Governance Committee.
	<u>External Managed investments</u>
10.	The council has invested £27M in property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are usually available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.
11.	Similar to many other property funds, dealing (i.e. buying or selling units) in the fund is currently suspended. The lack of property transactions (as the pandemic intensified) meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established.

12.	Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.
13.	During 2019/20 this investment returned £1.2M at an average yield of 4.35% against the initial investment, however since the onset of the COVID-19 pandemic and the current global economic environment, the value of the fund fell to £26.47M at 31 March 2020 a reduction of £0.53M against the original investment. This trend has continued into 2020/21 and the fund is currently valued at £25.42M, £1.58M lower than original investment. This notional "loss" will only be a cost to the Authority at the point the investment is sold as the Authority is using the alternative fair value through profit and loss (FVPL) accounting and can defer the funds' fair value losses to the Pooled Investment Fund Adjustment Account until 2023/24, by which time it is anticipated that the global economic environment will have improved. The estimated return for the year is expected to reduce to about 75% of that for 2019/20, with £0.9M forecast.
	<u>Financial Review and Outlook for 2020/21</u>
14.	A summary of the external factors, which sets the background for Treasury, as provided by the council's treasury advisors, Arlingclose Ltd, is summarised below. The low for longer interest rate outlook theme that has been at the core of the recommended strategic advice for over a decade remains.
15.	The UK's exit from the European Union took a back seat during the first quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.
16.	Bank Rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June the Bank increased the asset purchase scheme by £100 billion, taking the recent round of QE to £300bn and total QE to £745 billion. At the same time, the government also implemented a range of fiscal stimulus measures totalling over £300 billion which had been announced in March and designed to dampen the effect of the pandemic on the labour market.
17.	GDP growth contracted by 2.2% in Q1 (Jan-Mar) 2020 pushing the annual growth rate down to -1.6%. The lockdown only came into force on 23rd March, and the markets are braced for a dire set of growth data for Q2. In April UK GDP fell 20.4% month-on-month. On the back of the 5.8% month-on-month fall in March, this means economic output fell by 25% compared to its pre-coronavirus peak in February 2020. The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.2% y/y in May, further below the Bank of England's 2% target.
18.	In the three months to June, labour market data remained largely unchanged on the previous quarter. This is likely due to the government's furlough scheme as more than a quarter of the UK workforce was estimated to be supported by it. The ILO unemployment rate remained unchanged at 3.9% while the employment rate fell to 76.4%. However, employers will have to

contribute towards furlough payments from August and the scheme is due to stop at the end of October; unemployment is expected to rise as a result.

19. The US economy contracted at an annualised rate of 5.0% in Q1 2020. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% while the US government announced a $2 trillion fiscal stimulus package. Relations between the US and China, which had briefly improved when Phase 1 of the trade agreement was signed in January, deteriorated over the quarter. With little room to move on interest rates, the European Central Bank maintained interest rates at 0% and the rate on the deposit facility (which banks may use to make overnight deposits with the Eurosystem) at -0.5% and announced a further huge, open-ended commitment to buy €600bn of bonds under its Pandemic Emergency Purchase Programme (PEPP) which can be reinvested out to 2022. This lifted the ECB's total bond buying support package to €1.35trillion.

20. The medium-term global economic outlook is very weak. While containment measures taken by national governments in response to coronavirus are being eased, it is likely to be some time before demand recovers to pre-crisis levels due to rises in unemployment, the on-going need for virus control measures and the impact on consumer/business confidence.

The responses from the Bank of England, HM Treasury as well as other central banks and governments have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many businesses solvent/employees employed than would otherwise have been the case. There will be an economic bounce in the second half of the year, as businesses currently dormant begin production/supply services once more.

However, the scale of the economic shock to demand and the probable on-going social distancing measures necessary before a vaccine is produced will mean that the subsequent pace of recovery is limited.

21. Our treasury advisor, Arlingclose, expects the Bank Rate to remain at the current 0.10% level and additional monetary loosening in the near future through further financial asset purchases (QE).

While the Arlingclose central case for Bank Rate is no change, further cuts to Bank Rate to zero or even into negative territory cannot be ruled out. Downside risks remain in the near term, as households and businesses react to an unprecedented set of economic circumstances.

Gilt yields are expected to remain very low in the medium term. Some shorter-term gilt yields will remain around zero until either the Bank expressly rules out negative Bank Rate or growth prospects improve.

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Official Bank Rate												
Upside risk	0.00	0.00	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35

	Credit background
22.	The UK sovereign rating was downgraded to AA- in March which was followed by a number of actions on UK and also non-UK banks from early April onwards. As the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus epidemic remains uncertain but is expected to be substantial, in early June following Arlingclose's stress testing of the institutions on the counterparty list using bail-in analysis, a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits. Although much better capitalised than before the 2007-09 financial crisis, under the current economic circumstances these entities were suspended for reasons of prudence. For those remaining on the list, the duration advice remains up to 35 days.
23.	**Investment Performance**
24.	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.
25.	Our current investments in bonds is now £3M following maturities in 2019/20 and we maintained the property funds at £27M, with all other cash being placed in short term deposits as shown in paragraph 2.
26.	As detailed in paragraph 9 our cash balances have been higher than usual. As a result we had £49M in short term investment which is above our normal working balances. Our target is to reduce this to a £10M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.
27.	Investments managed internally are currently averaging a return of 0.51% which is higher than the average of 0.38% whilst still maintaining the average credit rating of AA-. Total income return at 1.72% is also higher than the average for both unitary (1.07%) and LA's (0.96%). However due to a fall in the capital value of our external funds of -7.49% our total investment return -0.74% is lower than both the average unitary (-0.56%) and LA's (-0.30%) across Arlingclose's client base, but as previously reported it is the income return at 4.21% that is the driver to invest plus they are deemed less risky than buying individual properties and do not constitute capital spend.

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KEY FINANCIAL RISKS (annexe 1.3)

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.	**Interest rates** are underestimated.	Likely	Major	*• 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.* *• PWLB rates discounted by 1% for new HRA loans in March 2020 Budget.* *• Market intelligence provided by Treasury Management advisors.* *• 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.*	Possible	Significant
FE2.	**Existing fees and charges:** Projected levels of income within the period are not achieved and/or maintained.	Possible	Moderate	*• 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.* *• Loss of income from fees and charges is forecast for 2020/21 due to the impact of COVID-19 measures and economic downturn. This will be mitigated by the Government scheme to fund 75p in every £1 lost over and above a 5% budget threshold. This does not apply to commercial activities.*	Possible	Moderate
FE3.	**New income streams:** Projected levels of income within the period are not achieved.	Possible	Moderate	*• 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.* *• Higher risk as it is based on new sources of income.* *• Implementation of new income generation proposals has been delayed due to the impact of COVID-19 and economic downturn.*	Possible	Moderate
FE4.	**Volatility of Business Rates funding** given the uncertainty around impact of successful appeals.	Likely	Significant	*• 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.* *• Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.* *• The appeals window for the 2010 rating list has been closed.*	Unlikely	Minor

- **Robustness of estimates**

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE5.	**Increase in demand led spending pressures** (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision.	Possible	Significant	*• Annual budget setting process developed in consultation with service managers* *• Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to EMT and Cabinet (Quarterly).* *• Action plans to address any significant in year budget variances are agreed with EMT with the status of the agreed actions reported to EMT on a monthly basis* *• Action plans intended to manage/reduce the number of Looked After Children*	Possible	Moderate
FE6a.	Third party provider costs will increase as a result of the introduction of the **National Living Wage**	Almost certain	Moderate	*• 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
FE6b.	**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	*• ICU contract monitoring arrangements and general market oversight and intelligence*	Unlikely	Minor
FE7.	**Legal challenge to savings proposals** that could result in the proposal being either discontinued or revised.	Possible	Moderate	*• Robust budget consultation process in place.*	Unlikely	Minor
FE8.	**Pressure on returns from investment properties** in both the short and longer term.	Possible	Significant	*• There is a full and robust process around the financial and legal analysis of the individual investments.* *• Investments are diversified between sectors.*	Possible	Moderate
FE9.	**Voluntary sector** is either unwilling or unable to support the delivery of certain services or activities	Possible	Significant	*• 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
FE10.	The council's **service delivery partners** seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement.	Likely	Significant	*• Central Contracts Team monitors and work closely with the council's significant service delivery partners.* *• Contractual obligations on both parties that set out the respective roles and responsibilities.*	Possible	Moderate
FE11.	The Council may received reduced funding if Government make changes to the Local Government funding mechanism. Such changes may include removing the ring-fence for Public Health Grant and rolling it in to general funding.	Possible	Significant	*• The Council will plan for any proposed changes through the Medium Term Financial Strategy process.*	Possible	Significant

- **Adequacy of proposed financial reserves**

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR1.	**Business Rate Retention & Council Tax Growth -** the council fails to collect, retain and grow business rate income	Significant	Significant	*• 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	*• Progress and delivery of the overall Programme and individual projects is monitored at Executive Director level, by EMT, with any non achievement forming part of the normal budget monitoring action plan process.* *• EMT 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	*• The 2020/21 budget included no increase in the general Council Tax and the MTFS agreed in February 2020 assumed a 1.99% increase in Council Tax for the years 2021/22 and 2022/23.* *• 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 Government consulted on a further 2% Levy in the 2020/21 Provisional Settlement and the Council applied this increase instead of an increase in general Council Tax. The MTFS agreed in February 2020 assumed no further increases in the Levy beyond 2020/21.* *• Given the national recognition of pressures within the Adult Social Care system it is unlikely that the ASC Levy will be removed or reduced.*	Unlikely	Moderate
FR4.	**Slippage in capital receipts** (not accompanied by a slippage in spend).	Possible	Moderate	*• 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	*• 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	*• 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	
		Likelihood	Impact		Likelihood	Impact
FR7.	**Ad hoc or unforeseen events / emergencies.**	Possible	Major	*• 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. • The Government has allocated 3 tranches of un-ringfenced Emergency Funding to local authorities to meet COVID-19 pressures and confirmed funding will be available to meet some fees and charges income losses, as well as providing some ring-fenced grant funding for specific measures e.g. testing and tracing.*	Possible	Significant
FR8.	The cost of implementing the **Care Act** 2014 is greater than anticipated.	Unlikely	Moderate	*• 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 2020/21.*	Unlikely	Moderate
FR9.	**CCG** could seek to reduce its level of contribution to the **'pooled budgeting '** arrangement with SCC	Possible	Significant	*• 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	*The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.*	Possible	Moderate
FR11.	**Inflation increases** at a higher rate than anticipated	Possible	Moderate	*• Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2020/21. CPI is currently running at 1.0%, well below the anticipated level. • Market intelligence provided by Alnicos - 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	*• 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	*• 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	*• 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.*	Possible	Moderate
FR15	Impact of COVID-19 on budgets	Almost certain	Extreme	*COVID is having ongoing financial effects, as well as introducing significant uncertainty for future financial projects. Major income streams are likely to be impacted, such as council tax and business rates, as well as numerous service costs rising as demand increases e.g. for social care. The situation is being closely monitored each month, by the finance team and the impact captured. The Council set a prudent budget in Feb 2020, with inbuilt financial resilience from a solid reserves position and with corporate contingency budget. The MTFS will be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates. Corporately, a further risk register is maintained for all COVID related risks, including financial, which is monitored frequently*	Almost certain	Significant

FINANCIAL HEALTH INDICATORS – QTR 1 2020/21

Prudential Indicators Relating to Treasury

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£770M	£360M	Green
As % of Authorised Limit	100%	46.71%	Green

	Maximum	Highest YTD	Status
Authorised Limit for external debt £M	£770M	£360M	Green
Operational Limit for external debt £M	£730M	£360M	Green
Maximum external borrowing year to date		£292M	Green
Limit of fixed interest debt %	100%	83.7%	Green
Limit of variable interest debt %	50%	16.3%	Green
Limit for Non-specified investments £M	£100M	£33M	Green

Other Treasury Performance Indicators

	Target	Actual YTD	Status
Average % Rate Long Term New Borrowing	3.00%	N/A	Green
Average % Rate Existing Long Term Borrowing	3.50%	2.81%	Green
Average Short Term Investment Rate - Cash	0.06%	0.26%	Green
Average Short Term Investment Rate – Fixed	0.06%	0.11%	Green
Average Long Term Investment Rate - Bonds	2.00%	5.30%	Green
Average Return on Property Fund	3.00%	3.71%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£10.1M	
Forecast Year End General Fund balance	£10.1M	Green

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HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2020/21

	Budget July 2020 £M	BAU* Annual Forecast as at July 2020 £M	BAU* Forecast Variance July 2020 £M	COVID-19 Forecast Pressures July 2020 £M
Expenditure				
Responsive repairs	13.26	13.26	0.00	0.00
Housing investment	5.19	4.79	0.40 F	0.00
Rents payable	0.10	0.10	0.00	0.00
Debt management	0.09	0.09	0.00	0.00
Supervision & management	22.52	22.43	0.08 F	1.25 A
Interest & principal repayments	5.09	5.09	0.00	0.00
Depreciation	20.47	20.47	0.00	0.00
Direct revenue financing of capital	8.89	8.89	0.00	0.00
Total Expenditure	**75.60**	**75.12**	**0.48 F**	**1.25 A**
Income				
Dwelling rents	(70.24)	(70.30)	0.06 F	0.04 A
Other rents	(1.22)	(1.22)	0.00	0.00
Service charge income	(3.25)	(3.25)	0.00	0.00
Leaseholder service charges	(0.88)	(0.88)	0.00	0.00
Interest received	(0.01)	(0.01)	0.00	0.00
Total Income	**(75.60)**	**(75.66)**	**0.06 F**	**0.04 A**
(SURPLUS)/DEFICIT	**0.00**	**(0.54)**	**0.54 F**	**1.29 A**

NB Numbers are rounded

*Business as usual

The SIGNIFICANT business as usual issues for the HRA are:

Service Area	BAU Forecast Variance July 2020 £M	Explanation
Housing investment (Cyclical Maintenance)	0.40 F	Based on the cyclical maintenance 2019/20 outturn favourable variance of £0.70M, and taking into account a slow start to works in the current year in part due to COVID-19, a forecast estimate has been made that Cyclical Maintenance will be underspent by £0.40M.

The SIGINFICANT COVID pressures for the HRA are:

Service Area	COVID Forecast Pressures July 2020 £M	Explanation
Supervision & Management	1.25 A	Due to COVID-19 there is estimated to be increases in arrears for residential / commercial rent & service charges which is represented by an increase in provision for bad debts amounting to £1.10M. This will continue to be monitored throughout the COVID-19 crisis period as the likelihood of debt recovery will be largely dependent on the aftermath of the lockdown period and the subsequent economic impact on jobs and tenant finances. In addition, extra Personal Protective Equipment for HRA staff is expected to be required, at a cost of £0.15M.

Appendix 7

Annexe 1.6

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2021

	Current Budget 2020/21 £M	Forecast 2020/21 £M	Variance Adverse / (Favourable) 2020/21 £M
Council Tax			
Income			
Total Council Tax Income	**(124.42)**	**(122.34)**	**2.08**
Expenditure			
Total Council Tax Expenditure (incl. precepts)	**124.13**	**123.16**	**(0.97)**
Council Tax Deficit/(Surplus) for the Year	**(0.30)**	**0.82**	**1.11**
Council Tax Deficit/(Surplus) Brought Forward	0.30	2.63	2.33
Council Tax Deficit/(Surplus) Carried Forward	**(0.00)**	**3.45**	**3.45**
Business Rates			
Income			
Total Business Rates Income	**(114.30)**	**(62.27)**	**52.04**
Expenditure			
Total Business Rates Expenditure	**114.81**	**112.85**	**(1.96)**
Business Rates Deficit/(Surplus) for the Year	**0.50**	**50.58**	**50.08**
Business Rates Deficit/(Surplus) Brought Forward	(0.50)	(0.68)	(0.18)
Business Rates Deficit/(Surplus) Carried Forward	**0.00**	**49.90**	**49.90**
Total Collection Fund (Surplus)/Deficit	**0.00**	**53.35**	**53.35**

Council Tax (Surplus)/Deficit	
Contribution (to)/ from SCC	2.92
Contribution (to)/ from HPA	0.39
Contribution (to)/ from F&RS	0.13
Council Tax Collection Fund Balance c/f	3.45
NDR (Surplus)/Deficit	
Contribution (to)/ from SCC	24.41
Contribution (to)/ from MHCLG	24.99
Contribution (to)/ from HF&R	0.50
NDR Collection Fund Balance c/f	49.90
Total SCC (Surplus)/Deficit	**27.33**
LESS: Grant estimated as due from Government (General Fund)	24.55
NET SCC deficit for future budget purposes at Period 4	**2.78**

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CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO JULY 2020

1.	Table 1 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £654.95M and £210.98M for the HRA. Details of changes made since the start of the year, totalling £17.60M can be found in annex 2.1. The £17.60M removed from the programme, is an adjustment to reflect the addition of Future Transport Zone spending plus replacing the estimated funding for the Connected Southampton works with a (lesser) actual amount following confirmation of the grant actually available.

Table 1 – Changes to Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Health & Adults	0.62	0.62	0.00
Children & Learning	108.05	108.05	0.00
Finance & Income Generation	200.00	200.00	0.00
Stronger Communities	8.31	8.31	0.00
Culture & Homes	19.96	19.96	0.00
Green City & Place	305.37	322.97	(17.60)
Customer & Organisation	12.66	12.66	0.00
Total GF Capital Programme	**654.95**	**672.55**	**(17.60)**
Housing Revenue Account	210.98	210.98	0.00
Total Capital Programme	**865.94**	**883.54**	**(17.60)**

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

	SLIPPAGE/REPHASING
2.	Following a review to ensure that all projects are accurately profiled and budgets are suitably aligned to anticipated works and spend, there is £178.66M of General Fund anticipated work in 2020/21 being slipped into later years. And £4.98M of HRA anticipated work scheduled for 2021/22 being rephased to 2020/21. Details are provided in annex 2.3.
3.	Table 2 below summarises resulting slippage and rephasing by individual capital programmes. There is zero net effect to the budgets over the 5 year capital programme.

	Table 2 – Net Slippage	Movement £M	Annexe. 2.3 Ref
	Health & Adults	0.00	
	Children & Learning	(19.55)	1-4
	Finance & Income Generation	(150.00)	5
	Stronger Communities	(2.85)	6
	Culture & Homes	(0.07)	
	Green City & Place	(6.06)	7-9
	Customer & Organisation	(0.12)	
	Total General Fund	**(178.66)**	
	Housing Revenue Account	4.98	10
	Total Capital Programme	**(173.67)**	

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

2020/21 MONITORING POSITION

4. The forecast performance of individual capital programmes in 2020/21 is summarised in table 3 below.

Table 3 – Summary of the General Fund & HRA Capital Forecast 2020/21

	Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
Health & Adults	0.22	0.22	0.00	0.00
Children & Learning	29.91	29.91	0.00	0.00
Finance & Income Generation	50.00	50.00	0.00	0.00
Stronger Communities	2.89	2.89	0.00	0.00
Culture & Homes	2.93	2.93	0.00	0.00
Green City & Place	61.70	61.70	0.00	0.00
Customer & Organisation	8.54	8.54	0.00	0.00
Total General Fund	**156.20**	**156.20**	**0.00**	**0.00**
Housing Revenue Account	59.40	37.95	(21.46)	(36.12)
Total Capital Programme	**215.60**	**194.15**	**(21.46)**	**(9.96)**
Financed by				
*CR - GF Borrowing	(81.58)	(81.58)	0.00	0.00
*CR - HRA Borrowing	(15.38)	(6.33)	(9.05)	(58.85)
Capital Receipts	(18.59)	(18.59)	0.00	0.00
Direct Revenue Financing	(10.04)	(6.20)	(3.84)	(38.24)
Capital Grants	(55.69)	(55.69)	0.00	0.00

	Contributions	(10.91)	(10.91)	0.00	0.00
	HRA – MRA	(23.42)	(14.86)	(8.57)	(36.57)
	Total Funding	**(215.60)**	**194.15**	**(21.46)**	**(9.96)**

*CR – Council Resources
NB there may be small arithmetic variations in the table as figures have been rounded

5.	The programme is currently forecast to be underspent by £21.46M. The reasons for the major forecast variances changes since the last report are detailed in Annex 2.2.
	CAPITAL RESOURCES
6.	The resources which can be used to fund the capital programme are as follows: • 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
7.	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.
8.	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 2020/21 these grants have been passported to these areas.
9.	Annex 2.4 details the current level of available resources. This shows that the largest resource currently available is CIL developer contributions. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process.
10.	It should be noted that there has been no variation to the expected capital receipts since the last reported position.
	OVERALL CAPITAL PROGRAMME AND FINANCING
11.	The revised overall programme by year, including amendments that are being requested as part of this report and use of resources, can be found in annex 2.5.
12.	The most significant amount of funding for the General Fund programme is provided by Council Resources, which at present, is mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funded by Major Repairs Allowance (direct revenue contribution).

<u>SUPPORTING DOCUMENTATION</u>

Annexes

1.	GF & HRA Programme Changes Since Last Reported Position.

2.	GF & HRA Major Forecast Variance Changes Since Last Reported Position.
3.	GF & HRA Slippage & Rephasing as at July 20.
4.	GF Capital Resources Available as at July 20.
5.	GF & HRA Revised 5 Year Programme and Use of Resources.

Annexe 2.1

GENERAL FUND: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Portfolio	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source
Additions to the Programme				
Green City & Place	Furture Transport Zone	28.76	*	Capital Grants
	TOTAL GF	**28.76**		
Reductions to the Programme				
Green City & Place				
	Connected Southampton	(43.96)	*	Capital Grants
	Transport Schemes Match Funding	(2.40)	*	Council Resources - GF Borrowing
	TOTAL GF	**(46.36)**		
Total Variations to the Overall Programme		**(17.60)**		

	£M
* - Approved By Council/Cabinet	(17.60)
** - Approved under Delegated Powers	0.00
Total Variations to the Overall Programme	**(17.60)**

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Appendix 10

Annexe 2.2

HRA Major Forecast Variance Since Last Reported Position

	HRA
1.	HRA Programme (2020/21: Under spend of £21.46M) The Covid 19 outbreak has resulted in almost all planned HRA capital projects being paused for a period by contractors and Housing Operations and the subsequent change in working practices resulting from government guidance has led to an overall review of the existing programme and what it is possible to deliver this financial year under the current restrictions. As a result an under spend been declared and the programme for future years will be re-aligned within the existing resources to pick up this work as required. Projects with major variances as a result of this are:

Scheme	£M
Townhill Park Regeneration	5.16 F
Energy Company Obligations - Canberra Towers	3.25 F
Right to Buy - Satisfactory Purchase Scheme	2.33 F
Disabled Adaptations	1.06 F
Lift Refurbishment - Shirley Towers	1.04 F
External Windows and Doors	0.90 F
Albion Towers Heating	0.84 F
Estate Regeneration Woodside/Wimpson	0.80 F
Block Modernisation Programme	0.80 F
Roofing Lot 2 East- Pitched Roofs	0.76 F
Roofing Lot 1 West- Flat Roofs	0.71 F
Total Mobile	0.55 F
Renew Warden Alarm	0.50 F

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Annexe 2.3

Major GF & HRA Slippage & Rephasing as at July 2020

	CHILDREN & LEARNING
1.	St Marks (Budget Rephasing of £12.0M from 2020/21 to 2021/22 £2.3M, 2022/23 £7.7M & 2023/24 £2.0M) The completion date for the school is Sept 2022. The original profile has now been extended to include the period between April and September 2022 and to also allow for retention payments due in the year following completion. The budget has been re-aligned but in keeping with the planned timescales of the build. Upon receipt of the main contract sum and details of expected cash flows which are expected in August, a further re-profiling exercise planned and the outcome will be provided at Qtr2.
2.	Chamberlayne Refurbishment (Slippage of £5.00M from 2020/21 to 2021/22 The planned transfer date to academy status is January 2021. It is intended that the Hamwic trust will carry out the refurbishment works and a draw down schedule will be agreed as part of the transfer agreement. The trust will be only be able to draw down funding once work has been undertaken or milestones achieved which is likely to be in the new financial year.
3.	St Georges Expansion (Slippage of £1.74M from 2020/21 to 2021/22 Feasibility is now complete which allows more accurate budget profiling and the budget has been re-aligned accordingly. Further re-profiling is expected during 2020/21 once the procurement strategy is finalised.
4.	Repair and Maintenance (Slippage of £0.65M from 2020/21 to 2021/22 It was not possible to gain access to a number of schools to undertake required surveys or progress tendering of works due to the impact of Covid19. This has resulted in delays in obtaining tenders for work that was to be undertaken during the summer holidays. The surveys and tenders will be under taken when possible and works rescheduled to the summer holidays in 2021/22.
	FINANCE & INCOME GENERATION
5.	Property Investment Fund (Slippage of £150.00M from 2020/21 to 2021/22) Due to the current economic situation caused by Covid19, it is not prudent to invest in property at this time. It is not expected that the situation will improve in this financial year. Budget has been slipped waiting for a more economically stable time.
	STRONGER COMMUNITIES
6.	Disabled Facilities Grants (DGF) (Slippage of £2.25M from 2020/21 to 2021/22) There has been a slowdown in receipt of new DFG claims since the outbreak of Covid19 resulting in expenditure at approximately 50% of normal levels to date. The forecast represents an increase back to 2019/20 levels between July and September. There is also a build-up of historic underspend which has been slipped from prior years. A review has been commissioned to identify how this can be utilised.

	GREEN CITY & PLACE
7.	Connected Southampton (Slippage of £3.33M from 2020/21 to 2021/22) The Connected Southampton scheme is a large-scale project to rebuild the road bridge over the railway line in Northam. The project is subject to a further funding bid to the DfT, it is likely that due to other government priorities the confirmation of a successful bid will be delayed. A residual budget remains in 2020/21 to fund feasibility and development work the remainder has been slipped into later years.
8.	Green City - Salix Clean Growth Fund (Slippage of £1.50M from 2020/21 to 2021/22) Detailed proposals for planned expenditure under this scheme are still being developed. These proposals will require Council approval which will not be agreed until November 2020. Once approval to spend is granted it is likely that only limited feasibility works will be carried out on 2020/21 with major capital expenditure being delayed until the new financial year.
9.	Green City - Action Plan (Slippage of £0.75M from 2020/21 to 2021/22) Planned works within this scheme have been impacted by lock down and social distancing as a result of Covid19. As much of the planned works as possible is being carried out in 2020/21witjin the COVID limitations.
	HRA
10.	Oaklands Site (Rephase £4.98M from 2021/22 to 2020/21) The straight line spend profile for this scheme has been updated, based on revised cash flow forecasts reflecting front loaded spend on the project due to infrastructure investment etc. Although there is increased spend this year the overall project spend is forecast to remain within budget.

Appendix 12

Annexe 2.4

Capital Resources Available as at July 20 (Capital Receipts; Community Infrastructure Levy and Section 106 funds)

Resource	Balance Fwd £M	Received to Date 2020/21 £M	Allocated To Current Programme £M	Ear-marked £M	Available Funding £M	Anticipated Receipts 2020/21 £M
Capital Receipts	(9.31)	(0.00)	8.77	4.44	3.91	(3.91)
CIL	(15.60)	(0.34)	5.24	10.75	0.05	(1.50)
S106	(7.73)	(0.56)	6.07	0.00	(2.22)	(0.38)
	(32.63)	**(0.90)**	**20.09**	**15.19**	**(1.74)**	**(5.79)**

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

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Annexe 2.5

GF & HRA: Revised 5 Year Programme Totals and Use of Resources

Programme	**2020/ 2021 £M**	**2021/ 2022 £M**	**2022/ 2023 £M**	**2023/ 2024 £M**	**2024/ 2025 £M**	**Total £M**
Health & Adults	0.22	0.10	0.10	0.10	0.10	0.62
Children & Learning	29.91	25.39	49.39	3.36	0.00	108.05
Finance & Income Generation	50.00	150.00	0.00	0.00	0.00	200.00
Stronger Communities	2.89	5.42	0.00	0.00	0.00	8.31
Culture & Homes	2.93	4.72	8.15	4.10	0.05	19.96
Green City & Place	61.70	88.35	103.22	36.30	15.80	305.37
Customer & Organisation	8.54	1.12	1.00	1.00	1.00	12.66
Total General Fund	**156.20**	**275.09**	**161.85**	**44.86**	**16.95**	**654.95**
Housing Revenue Account	59.40	42.06	42.02	36.86	30.64	210.98
Total Capital Programme	**215.60**	**317.15**	**203.87**	**81.72**	**47.59**	**865.94**
Previous Programme	405.65	169.02	181.33	79.95	47.59	883.54
Movement	**(190.05)**	**148.14**	**22.54**	**1.77**	**0.00**	**(17.60)**

Use of Resources	**2020/ 2021 £M**	**2021/ 2022 £M**	**2022/ 2023 £M**	**2023/ 2024 £M**	**2024/ 2025 £M**	**Total £M**
*CR - GF Borrowing	(81.58)	(215.72)	(96.26)	(17.00)	(11.78)	(422.34)
*CR - HRA Borrowing	(15.38)	(12.17)	(7.76)	(2.71)	(1.23)	(39.24)
Capital Receipts	(18.59)	(3.92)	(5.10)	(4.03)	(3.33)	(34.96)
Direct Revenue Financing	(10.04)	(6.81)	(7.63)	(8.07)	(3.50)	(36.05)
Capital Grants	(55.69)	(51.30)	(60.35)	(24.36)	(2.67)	(194.36)
Contributions	(10.91)	(6.34)	(5.25)	(3.50)	(2.50)	(28.50)
HRA – MRA	(23.42)	(20.90)	(21.53)	(22.06)	(22.59)	(110.49)
Total Financing	**(215.60)**	**(317.15)**	**(203.87)**	**(81.72)**	**(47.59)**	**(865.94)**

*CR – Council Resources

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

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Financial Impact of COVID-19	
	Background
1.	This report follows on from the financial monitoring report to the end of July 2020 and highlights the budget challenges arising out of the COVID-19 crisis in-particular. The financial pressures being experienced are unprecedented, which will be the case at many authorities. COVID-19 has had an impact across services on many budgets, in terms of demand for support in areas such as both Adults and Children's social care as well as many other services producing much higher than expected costs. At the same time, income has fallen significantly in many areas such as car parking and commercial property rental income. The impact from COVID-19 has also meant planned budget savings for 2020/21 could not be implemented.
2.	This report looks at the forecast impact and summarises the budget shortfall arising directly from COVID-19 pressures. It also looks at what areas Government have and may yet fund, what is 'at risk' without further funding and makes proposals to address the current estimated shortfall.
	<u>Revenue: COVID-19 Shortfall</u>
3	The budget pressure arising out of the additional costs, loss of income and unachieved savings due to COVID-19 are set out in detail at Appendix 1 of this report. They are further summarised in Annexe 3.1 to this report, which also provides information on the total costs including those incurred from 2019/20. The timing of the lock down starting in late March meant that costs were incurred towards the end of the last financial year. Council services are doing all they can to minimise and manage the costs arising, but inevitably there are major impacts across the authority, especially for social care related services.
4	The costs incurred in 2019/20 of £0.5M were covered by applying part of the Government grant received, resulting in no net additional cost. Correspondence from Government relating to the three tranches of general grant support announced so far stated that funding would support: • Meeting the increased demand for adult social care and enable councils to provide additional support to social care providers. • Meeting the extra demand and higher business as usual costs of providing children's social care. • Providing additional support for the homeless and rough sleepers. • Providing support to those at higher risk of severe illness from COVID-19 • Meeting the demand pressures from other services.
5	Government has also brought out a compensation scheme for lost sales, fees and charges arising from COVID-19. This makes it clear that certain types of income loss will not be covered, such as commercial property rental income. Also, in the draft scheme a 5% 'top slice' from budgets for sales fees and charges would be deducted for authorities to absorb, to reflect normal volatility in budgets. Eligible losses would then be split 25% for the authority to bear and 75% to be compensated. At the time of writing, the final compensation proposals have only just been issued by Government, and officers are still working through its implications.

6	Annexe 3.1 shows that the total gross impact is estimated at £45.2M from COVID-19 in 2020/21. This total impact is split between areas where Government has supported or there is reason to think will further support with extra funding, and areas we know Government has made clear it will not support with extra funding.
7	After allowing for the balance of £16.4M from the general government grant support already announced and which can be applied to offset the £45.2M total shortfall, the net shortfall remaining is £28.8M (as reported in Appendix 1). Given the significant uncertainty about the ongoing impact of COVID-19, and the timing of when circumstances might return to normal, the base assumption applied is that an impact will continue to be felt this financial year across most areas, but with no allowance made for a potential second wave or a further local or national level lock down. Should such events occur, further costs are probable. The impacts beyond the current financial year are still being systematically assessed.
	Addressing the Budget Shortfall
8	Table 1 below summarises how the shortfall identified above of £28.8M will be addressed.
9	**Table 1: Reducing the COVID Shortfall 2020/21**

	Item	£M
a	Shortfall (per appendix 1)	28.8
	LESS:	
b	<u>Potential</u> Government grant for expenses falling under areas supported (NB this sum is at risk without further support from Government)	-10.9
c	SCC estimate of potential income loss compensation from Government	-4.1
	Revised total	**13.8**
d	Corporate budget including contingency	-6.6
e	Initiatives from improved management of staffing costs (e.g. temporary staff and vacancies) and lower capital financing costs	-1.5
f	Period 4 net underspend (after use of social care demand reserve)	-2.7
g	Leaving the balance to be met from Corporate contingency budget	-3.0
	Net balance	**0.0**

10	The assumption has been made (on line 9b) that Government will support further costs of £10.9M, which is beyond the grants to SCC announced to date, provided those costs relate to the areas specified in paragraph 4 above and are cited by Government as being areas funding is intended to support. Should this extra funding not occur, it would mean such costs also falling on the council. Therefore, we need to be clear, this is a risk and it will fall to the Council without further Government action. The authority continues to make the case to Government that the funding provided so far is inadequate for the actual and anticipated costs of providing the support Government has outlined it wants from authorities.
11	An estimate of £4.1M has been made (on line 9c) as to the likely amount of compensation for loss of income. This is under review now the final Government scheme on how this will be determined has been published. These assumptions produce a revised total of £13.8M to be sought to meet the in-year shortfall.
12	£6.6M will be found from Corporate budgets (line 9d), which hold sums for contingency and to manage risks and will be applied to cover (i) unachievable Adults' and Children's savings & loss of income due to COVID-19 (£2.80M), (ii) unachievable savings for property investment (£2.75M) and (iii) all non-Adults/Children's savings unable to be implemented (£1.05M).

13	The £1.5M (line 9e) will be found from in-year savings as a result of pro-active management of temporary staffing and other staffing costs. A stock take of the capital programme has also resulted in lower expected borrowing this year, which will produce capital financing savings in the revenue budget that will contribute to this saving (see below).
14	As noted in Appendix 1 paragraph 3 the council holds a total of £7.0M in a social care demand reserve. As reported at period 4, an overspend of £4.16M is forecast in Children & Learning, in large part to due to additional demand arising from looked after children. Applying that reserve to underwrite the overspend in full (as proposed) means at period 4 the net position for the whole council then becomes an underspend of £2.70M (i.e. £1.46M overspend less £4.16M applied from reserves to match the Children's overspend equals an underspend of £2.70M). This underspend can then reduce the shortfall arising from COVID-19 (as per line 9f in the table above).
15	The balance needed to eliminate the shortfall is found from corporate budgets at £3.00M (line 9g). This takes the total from corporate budgets used to £9.6M with the remaining sum left in the corporate budgets covering contingency and other risks would amount to around £2.3M in 2020/21. £2.8M would also be left in the social care demand reserve as uncommitted. This provides a prudent buffer against other social care costs arising given we are only reporting at as period 4 i.e. four months into the financial year.
16	The above proposals to address the shortfall would have no impact on the uncommitted sum within the Medium Term Financial Risk Reserve, which would remain at £25.8M and be available for any further risks, COVID-19 related or otherwise. The balance on the General Fund (of £10.1M), regarded as a safe minimum, is also unaffected.
	Council Tax and Business Rates – Impact from COVID-19
17	The £45.2M financial pressures for 2020/21 do not include anything for shortfalls in council tax or business rates income from COVID-19. The forecast for the Collection Fund as at the end of July 2020 is provided in paragraphs 29 to 34 of Appendix 1. Early indications are these could prove to be significant costs with a potential for a medium term adverse impact on the council's income.
18	Any losses arising will be carried forward as a deficit on the Collection Fund to be recovered in future years. The Government has set out an intention to allow local authorities to recover the deficit over 3 years, however it will not be providing details of the scheme until the Autumn and this mechanism would merely spread the adverse financial impact, not provide additional funding. The council will need to take the Collection Fund deficit into account in setting its 2021/22 budget and over the medium term. There is a major risk that if the income from business rates and council tax remains relatively 'flat' the levels of growth assumed for future budgets won't be achieved, adding to future budget shortfalls.
	Capital
19	A considered stock take has taken place of all major items in the capital programme to review the impact of COVID-19 on their timescale due it its practical impact, for example in the construction industry with social distancing slowing timescales down. A part of the review has also been to determine which projects could be re-prioritised with a review to reducing borrowing needed to fund capital in 2020/21. Reducing borrowing means a lower cost of capital financing with savings compared to budget being the outcome.
20	No decision has yet been taken to remove any item from the capital programme. However, a list provided in Annexe 3.2 of programme items where it is proposed to delay some expenditure previously planned for 2020/21 until 2021/22 or after. • Areas where expenditure is proposed to be slipped total £5.0M (with £4.9M of

	associated borrowing). The slippage with capital schemes forecast in Appendix 2 of this report is likely to also produce a reduction in borrowing, though for prudence this is not yet estimated as a saving as the schemes may yet progress more quickly than expected. • Additional grant funding of £2M from Government (School Condition Allocation) has been received recently for 2020/21. It is proposed that £1M of this would be applied to Sholing Technical College renovation work in place of borrowing by the council. • A further £0.75M of new developer contributions has been received and it is proposed to apply this funding for Transport Schemes in the programme, again saving the council from borrowing an equal sum. By delaying this spending, the anticipated need for borrowing will be reduced and a total budget saving of around £0.11M would be expected in-year. The final sum saved for 2020/21 will only be confirmed once the borrowing takes place, as the authority minimises its costs by not borrowing sums in advance. The expected saving contributes to the £1.5M target to be found from initiatives mentioned in table 1 above and paragraph 13.
21	A full review of the total capital programme will take place which will be reported to the February 2021 Council meeting on the budget, when changes to the capital programme are agreed.
	Next Steps – Budget and Financial Planning 2021/22 and beyond
22	The Council continues to be required to submit monthly returns to Government on its COVID costs and other financial impact arising from the crisis. The return made for the end of July is attached at Annexe 3.3 for information.
23	It is recognised that COVID-19 will have continuing and significant implications for the council's budget in the short, medium and longer term. As is already evident above, the crisis is impacting on costs, income streams and on the capacity and ability to implement planned savings. It therefore will have implications for the financial sustainability of the council over the longer term. Work is underway to enable the council to fulfil its statutory duty of agreeing a balanced budget for 2021/22, and for that to be part of a refresh of the council's medium term financial strategy. However, more risk and uncertainty than ever before will inevitably be a part of the background to that work and deliberations and ensuring a secure financial position for the council over the medium term will be a serious challenge.
24	The current Medium Term Financial Strategy (MTFS), as agreed in February 2020, will be assessed in detail with assumptions previously made for 2021/22 re-assessed in the light of COVID-19 and any additional cost pressures taken into account. A further uncertainty is the absence of any Spending Review from Government, or any indication of future funding or multi-year funding settlement. The Government has announced that a Spending Review will take place in the Autumn, however it is unclear what period this will cover. As a reminder, in February the MTFS estimated a budget shortfall of £3.9M in 2021/22 rising to £10.2M in 2022/23. Should Government support not align to the new budget pressures felt via COVID-19, then the financial challenge of delivering a balanced budget will only increase.
25	Equally important will be reviewing the capital programme as the effects of COVID-19 will almost certainly have an impact on the delivery of the capital schemes included in the HRA and General Fund. There is a potential for difficulties in procuring contractors at expected prices and timescales. Issues around social distancing and capital schemes will also need to be reviewed, in terms of working practices and any practical effect if this is needed as a feature in planned spend on new or existing infrastructure or improvement works.

SUPPORTING DOCUMENTATION

Annexes

3.1	Summary of COVID-19 budget pressures
3.2	Amendments to the Capital Programme
3.3	Government Return (as at end of July 2020) on financial impact of COVID-19

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Annexe 3.1

Summary of Covid Budget pressures

ITEM	2019/20 £M	2020/21 £M	Total £M
Funded supported/potential supported by Government:			
Spending	0.5	27.1	27.6
Loss of income		4.2	4.2
Sub total:		**31.3**	**31.8**
Not funded by Government:			
Unachieved savings		6.1	6.1
Additional spend		2.7	2.7
Non fees and charges income lost		1.6	1.6
Fees and Charges lost income - portion not covered:			
(i) Top slice of 5% of total fees/charges budgeted income not covered		2.1	2.1
(ii) 25% of estimated losses not covered		1.4	1.4
Overall Gross Shortfall*	**0.5**	**45.2**	**45.7**
LESS:			
(a) Government grant support already announced	0.5	16.4	16.9
Sub total: Net Impact as reported period 4 monitor	**0**	**28.8**	**28.8**
LESS:			
(b) Potential Government grant for expenses falling under areas supported		10.9	10.9
(c) SCC estimate of potential income loss compensation from Government		4.1	4.1
Net Shortfall - balance remaining	**0**	**13.8**	**13.8**

*Note: the £45.2m includes a £0.2M of non-portfolio estimated loss of income from investment properties, in addition to the £45M budget pressure arising from COVID from portfolio budgets as reported in Appendix 1 (table 1).

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66,702,000

ANNEXE 3.2

Project Description	2020/21 Budget £M	2020/21 Budget Of Which Is Borrowing £M	Total Scheme Budget £M	Total Budget Scheme Of Which Is Borrowing £M	Comment	Total Proposed Slippage to 2021/22 £M	Proposed Slippage of Which is Borrowing £M
Purchase of vehicles	3.80	3.80	12.17	12.17	Not all committed. Spend linked to greener initiatives, but an element can be slipped a year.	0.50	0.50
Smarter Ways Of Working	2.15	2.15	6.15	6.15	Full business case to be made for phase 2 where full agreement to spend still needed. An element can therefore be slipped.	1.15	1.15
Regent Park Sports Facility	1.40	1.40	1.40	1.40	No tender yet process completed - spend delay until 2021/22 can be accommodated	1.00	1.00
QE2 Mile - Bargate Square	0.96	0.93	0.96	0.93	Proposed to be retained but moved into 2021/22	0.96	0.93
City Services - Depots	0.72	0.72	0.72	0.72	Some spend required this year for Health and Safety issues and addressing overcrowded depots and COVID changes, but balance can be moved to 2021/22	0.22	0.22
Royal Pier	0.41	0.31	0.41	0.31	Proposed to delay	0.41	0.31
Bitterne Community Hub	0.30	0.30	32.90	31.67	Scheme to be reviewed and new business case considered	0.30	0.30
Former Toys R Us Site Development	0.15	0.15	26.96	26.96	Business case under review and some preliminary spend can be moved to 2021/22	0.10	0.10
Outdoor Leisure	0.15	0.15	16.85	10.00	Leisure projects impacted by COVID - proposed spend moved to 2021/22 whilst project reviewed	0.15	0.15
Ancient Scheduled Monuments	0.15	0.15	0.15	0.15	Spend delayed until 2021/22	0.15	0.15
PA System	0.06	0.06	0.06	0.06	Not started, can be delayed as chamber not currently in regular use	0.06	0.06
					TOTAL	**5.00**	**4.86**

NOT SLIPPED BUT NEW FUNDING ASSUMED INSTEAD OF BORROWING						Substitution of funding (£M)	
Sholing Technical College Renovation	2.03	2.02	2.03	2.02	Scheme is a commitment and likely to be made as part of an agreement with the College this year. However, an additional Government grant of £2m has been received and it is proposed to use £1m on this to replace some of the borrowing	1.00	
Transport Schemes Match Funding	1.50	1.50	6.80	6.80	developer contributions received for £0.75M, proposed to apply this rather than borrowing	0.75	
					TOTAL	**1.75**	

NOTE ITEM

Property Investment Fund	50.00	50.00	200.00	200.00	£150M slipped under BAU due to market uncertainty. £50M left in programme if opportunities exist		

Agenda Item 8

Appendix 17

Covid-19 LA financial monitoring - July

COVID-19 local authority financial management information

You are reporting on behalf of:

Southampton City Council

Billing or precepting authority:

Billing authority

This is Round 4 of a data collection designed to help departments across central government understand the impact of the COVID-19 pandemic on local authority finances. This collection is for planning purposes; to help us identify where the greatest pressures are likely to be going forward and to inform our ongoing assessment of likely future costs. The information you provide will not be used for monitoring or auditing purposes. We will share a summary of the findings with you in due course. We may also publish, as a management information release, selected results at national, class-type, and potentially local authority-level. Please note that information provided could be the subject of a request under the Freedom of Information Act.

As outlined in previous rounds, we recognise that the situation your authority faces is continually changing and we will continue to repeat and refine this collection on a regular, rolling basis. For Round 4, you are asked to restate your June 2020 estimates based on actual/outturn data where available, alongside projected estimates for July 2020 and the full 2020-21 financial year (1 April 2020 to 31 March 2021).

Where full financial year estimates are requested, please estimate these using government announcements to date and your authority's own current planning assumptions for the continued easing of lockdown restrictions.

We appreciate that you might not have precise figures, but your estimates are extremely useful in the absence of robust data. However please ensure to exercise accurate, professional judgement when submitting your estimates. All submissions should be agreed by your authority's S151 Officer but do not require official certification.

As with previous rounds, you may need to liaise with relevant colleagues in your authority in order to complete the form.

Please submit your response though DELTA by **11pm on Friday 31 July 2020**. We cannot accept returns after the closing deadline. You must hit submit on completing the form otherwise your return will not be counted.

For enquiries, please use the contact details below:

For DELTA registration and collection access enquiries: DELTAadmin@communities.gov.uk
For general enquiries relating to this collection: lgfcoviddata@communities.gov.uk

Section A: Allocation of £3.7bn grant funding by service area

On 19 March 2020, £1.6bn emergency funding was announced to help local authorities respond to the COVID-19 pandemic. On 18 April 2020, a further £1.6bn funding for local authorities was announced. On 2 July 2020, a further £500m funding for local authorities was announced as part of a new funding package for councils to address coronavirus pressures. This section relates specifically to your combined allocation from this £3.7bn funding and not any other additional funding which your authority might be receiving to respond to COVID-19.

Of this £3.7bn funding, your authority has received:

£ 16,883,928

Question A1: What proportion of your grant funding have you allocated to the following service areas?

We recognise that some COVID-19-related activities may be cross-cutting, and that you may not have formally allocated the additional funding separately across service areas. However, please provide updated estimates as best you can. This should be done using notional allocations to reflect your priority areas of spending pressure if you do not yet have more reliable data or formal allocation plans available. You should only populate the 'Not yet allocated' category if you are certain that your authority does not have plans to use this funding.

Please provide percentage figures for each service area ensuring that they sum to 100%. If your authority does not provide a service or has not allocated any of this grant funding to a particular service area, you must enter 0%.

You may wish to refer to your Round 3 June submission which can be found in the DELTA datastore.

For additional guidance and information, where available, please click the information (i) button.

The summary RAG rating asks for your assessment of the confidence you have in the accuracy of the figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Service Area	Estimated proportion of grant funding likely to be deployed in this area (%)
1 - Adult Social Care – additional demand	38.2 %
2 - Adult Social Care - supporting the market	28.7 %
3 - Adult Social Care - workforce pressures	8.3 %
4 - Adult Social Care - PPE	0.1 %
5 - Adult Social Care - other	0.1 %
Adult Social Care - sub total	75.4%
6 - Children’s Social Care – workforce pressures	3.8 %
7 - Children’s Social Care – residential care	10.5 %
8 - Children’s Social Care – care leavers	0.1 %
9 - Children Social Care - other	0.3 %
Children's Social Care - sub total	14.7%
10 - Education - SEND	0.0 %

11 - Education - home to school transport	0.0 %
12 - Education - other	0.0 %
Education - sub total	0%
13 - Highways and Transport	0.0 %
14 - Public Health - Testing, contact tracing and outbreak planning	0.0 %
15 - Public Health - Other	2.1 %
Public Health - sub total	2.1%
16 - Housing - homelessness services	0.0 %
17 - Housing - rough sleeping	3.1 %
18 - Housing - other	0.0 %
Housing - sub total	3.1%
19 - Cultural & related - Sports, leisure and community facilities	0.0 %
20 - Cultural & related - other	0.0 %
Cultural & related - sub total	0%
21 - Environment & regulatory - cremation, cemetery and mortuary services	2.3 %
22 - Environment & regulatory - waste management	0.3 %
23 - Environment & regulatory - other	0.0 %
	2.6%

Environment & regulatory - sub total

24 - Planning & development

0.0 %

25 - Police, fire and rescue services

0.0 %

26 - Finance & corporate - ICT & remote working

0.0 %

27 - Finance & corporate - revenue & benefits

0.0 %

28 - Finance & corporate - other

0.0 %

Finance & corporate - sub total

0%

29 - Other - shielding

0.3 %

30 - Other - PPE (non-Adult Social Care)

0.0 %

31 - Other - forgone savings/delayed projects

0.0 %

32 - Other – lockdown compliance and reopening costs (incl. enforcement)

1.5 %

33 - Other - Domestic Abuse Services

0.3 %

34 - Other - excluding service areas listed above

0.0 %

Other - sub total

2.1%

35 - Not yet allocated

0.0 %

Total Percentage Check

100%

Confidence in accuracy of allocation estimates (RAG rating)

AMBER

Question A2: You have allocated funding to 'Other services' or a specific service area suffixed '-other', excluding the subcategories listed (i.e. shielding, PPE, forgone savings/delayed projects), please specify what this represents.

Expected cost alone exceeds grant. Cost adjusted to ensure the total allocation is no more than 100% of the grant funding.

Section B: Additional spending pressures due to COVID-19

Question B1: Compared to what you had budgeted prior to the COVID-19 pandemic, please estimate how much additional money you have spent, and plan to spend, on the following service areas due to pressures caused by COVID-19, irrespective of how it is funded.

Your additional spending should be reported:

1) Gross of any additional funding you have received - do not deduct any grant funding for COVID-19 costs or any other payments. For example, you should include all your additional expenditure to be funded or reimbursed by your Clinical Commissioning Group (CCG) partners, payments to care providers funded through the Infection Control Fund, and Test and Trace Service funded expenditure.

2) Net of any savings that may have arisen from changes in activity due to the COVID-19 pandemic e.g. due to use of the furlough scheme or reduced numbers of care users or care activities.

As in Section A, we recognise that COVID-19 activities may be cross-cutting across service areas, and it may not be possible to apportion additional spend due to COVID-19 with complete accuracy. However, please estimate as best you can.

Where money has been committed, but not actually spent (for example invoices expected/not yet fulfilled), beyond the months of this survey, please include this within your estimates of full financial year impacts.

You should report your additional spend estimates in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so. If your authority does not provide a service or you have not spent any more as a result of COVID-19, you must enter 0 (zero).

You may wish to view your Round 3 June form which can be found in the DELTA datastore. For Round 4, please use actual expenditure/outturn-based estimates where possible for June.

Where full financial year estimates are requested, please estimate these using government announcements to date and your authority's own current planning assumptions for the continued easing of lockdown restrictions.

Where your authority has outsourced service provision, please record any additional costs beyond what was originally budgeted for under the relevant service line below. Management fees and costs that were included in pre-COVID-19 budgets should not be recorded below, regardless of whether or not any service has been received.

For additional information, where available, please click the information (i) button.

	Estimated additional spending pressure due to Covid-19		
Service Area	**June 2020 (£m)**	**July 2020 (£m)**	**Full financial year 2020-21 (£m)**
1 - Adult Social Care – additional demand	June 2020 £ 0.250 m	July 2020 £ 0.250 m	Full year 2020-21 £ 17.370 m
2 - Adult Social Care - supporting the market	June 2020 £ 0.000 m	July 2020 £ 2.850 m	Full year 2020-21 £ 4.840 m
3 - Adult Social Care - workforce pressures	June 2020 £ 0.140 m	July 2020 £ 0.140 m	Full year 2020-21 £ 1.410 m

Item	June 2020	July 2020	Full year 2020-21
4 - Adult Social Care - Personal protective equipment (PPE)	£ 0.000 m	£ 0.000 m	£ 0.020 m
5 - Adult Social Care - other	£ 0.010 m	£ 0.010 m	£ 0.020 m
ASC sub total	£ 0.400 m	£ 3.250 m	£ 23.660 m
6 - Children's Social Care – workforce pressures	£ 0.070 m	£ 0.070 m	£ 0.640 m
7 - Children's Social Care – residential care	£ 0.110 m	£ 0.120 m	£ 1.760 m
8 - Children's Social Care – care leavers	£ 0.000 m	£ 0.000 m	£ 0.010 m
9 - Children Social Care - other	£ 0.000 m	£ 0.000 m	£ 0.060 m
CSC sub total	£ 0.180 m	£ 0.190 m	£ 2.470 m
10 - Education - SEND	£ 0.000 m	£ 0.000 m	£ 0.000 m
11 - Education - Home to school transport	£ 0.010 m	£ 0.000 m	£ 1.310 m
12 - Education - other	£ 0.000 m	£ 0.000 m	£ 0.000 m
Education sub total	£ 0.010 m	£ 0.000 m	£ 1.310 m
13 - Highways and Transport	£ 0.000 m	£ 0.000 m	£ 0.000 m
14 - Public Health - Testing, contact tracing and outbreak planning	£ 0.000 m	£ 0.000 m	£ 1.570 m
15 - Public Health - other	£ 0.040 m	£ 0.040 m	£ 0.350 m
Public Health sub total	£ 0.040 m	£ 0.040 m	£ 1.920 m
16 - Housing - homelessness services	£ 0.000 m	£ 0.000 m	£ 0.000 m

	June 2020	July 2020	Full year 2020-21
17 - Housing - rough sleeping	£ 0.080 m	£ 0.080 m	£ 0.520 m
18 - Housing - other (excluding HRA)	£ 0.000 m	£ 0.000 m	£ 0.000 m
Housing sub total (excluding HRA)	£ 0.080 m	£ 0.080 m	£ 0.520 m
19 - Cultural & related - Sports, leisure and community facilities	£ 0.050 m	£ 0.080 m	£ 0.370 m
20 - Cultural & related - other	£ 0.000 m	£ 0.000 m	£ 0.000 m
Cultural & related sub total	£ 0.050 m	£ 0.080 m	£ 0.370 m
21 - Environment & regulatory - cremation, cemetery and mortuary services	£ 0.060 m	£ 0.060 m	£ 0.440 m
22 - Environment & regulatory - waste management	£ 0.030 m	£ 0.030 m	£ 0.060 m
23 - Environment & regulatory - other	£ 0.000 m	£ 0.020 m	£ 0.140 m
Environment & regulatory sub total	£ 0.090 m	£ 0.110 m	£ 0.640 m
24 - Planning & development	£ 0.000 m	£ 0.000 m	£ 0.000 m
25 - Police, fire and rescue services	£ 0.000 m	£ 0.000 m	£ 0.000 m
26 - Finance & corporate - ICT & remote working	£ 0.010 m	£ 0.000 m	£ 0.030 m
27 - Finance & corporate - revenue & benefits	£ 0.010 m	£ 0.010 m	£ 0.030 m
28 - Finance & corporate - other	£ 0.010 m	£ 0.010 m	£ 0.030 m
Finance & corporate sub total	£ 0.030 m	£ 0.020 m	£ 0.090 m
	£ 0.010 m	£ 0.010 m	£ 0.040 m

29 - Other - shielding

	June 2020	July 2020	Full year 2020-21
30 - Other - PPE (non-Adult Social Care)	£ 0.020 m	£ 0.020 m	£ 0.340 m
31 - Other - unachieved savings/delayed projects	£ 0.510 m	£ 0.500 m	£ 6.060 m
32 - Other – lockdown compliance and reopening costs (incl. enforcement)	£ 0.020 m	£ 0.020 m	£ 0.250 m
33 - Other - Domestic Abuse Services	£ 0.000 m	£ 0.030 m	£ 0.040 m
34 - Other - excluding service areas listed above	£ 0.000 m	£ 0.000 m	£ 0.000 m
Other sub total (includes Shielding)	£ 0.560 m	£ 0.580 m	£ 6.730 m
TOTAL ESTIMATED SPENDING PRESSURE (General Fund)	£ 1.440 m	£ 4.350 m	£ 37.710 m

Additional Housing Revenue Account (HRA) Pressures:

	June 2020	July 2020	Full year 2020-21
32 - HRA - workforce pressures	£ 0.000 m	£ 0.000 m	£ 0.000 m
33 - HRA - supplies and materials including PPE	£ 0.010 m	£ 0.010 m	£ 0.150 m
34 - HRA - other	£ 0.000 m	£ 0.000 m	£ 0.000 m
HRA total	£ 0.010 m	£ 0.010 m	£ 0.150 m

Question B2: You have allocated spending pressures to ‘Other services’, excluding the subcategories listed (i.e. shielding, PPE, forgone savings/delayed projects), please specify what this represents.

Adults - incidental purchase card items
Children’s - Holiday provision for vulnerable children
Public Health - Additional staffing

Environment - Staffing, Security and cleansing costs for Registration services
Finance - urgent temporary accommodation for staff

Question B3: Using the RAG rating below, please assess the confidence you have in the accuracy of the additional expenditure figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Confidence in accuracy of spend pressure estimates (RAG rating)

RED

Questions B4 - B8 refer to your additional Adult Social Care expenditure.

Question B4: Has your local authority come to an agreement with your CCG partner(s) about the reimbursement and funding of some of your additional COVID-19 related costs including those relating to hospital discharge?

This can include a formal Section 75 agreement or any other type of agreement you have with your CCG partners about the funding or reimbursement of additional COVID-related costs.

Please select Yes or No

No

Question B5: What proportion of your total additional spend on adult social care will be funded by your CCG partner(s) to cover discharge costs?

Please express this proportion as a percentage of your total additional adult social care spending pressure as reported in B1.

If you have not come to an agreement with your CCG partner(s), please estimate as best as possible what proportion of your spend pressure will be funded. This should include monies from the £1.3bn NHS funding made available for enhanced hospital discharge. If you are unable to provide an estimate or are not expecting any CCG funding / reimbursement to cover some of your COVID-related gross costs you should enter 0 (zero).

Service Area	June 2020	July 2020	Full financial year 2020-21
Proportion of total adult social care additional spend to be funded by CCG(s)	0.0 %	0.0 %	0.0 %
Total adult social care additional spending	£ 0.400 m	£ 3.250 m	£ 23.660 m
Additional adult social care spending to be funded or reimbursed by CCG(s)	£ 0.000 m	£ 0.000 m	£ 0.000 m
	£ 0.400 m	£ 3.250 m	£ 23.660 m

Additional adult social care spending not funded or reimbursed by CCG(s)

Question B6: What proportion of your total additional spending on adult social care (ASC) and ASC- PPE is going directly to external providers?

Please express your answers as a percentage. Your additional adult social care expenditure from B1 is shown below, and the equivalent amounts going directly to providers have been calculated as a guide.

Service Area	June 2020	July 2020	Full financial year 2020-21
Proportion of total ASC additional spend going to external providers	64.0 %	96.0 %	94.0 %
Total ASC additional spending	£ 0.400 m	£ 3.250 m	£ 23.660 m
ASC additional spending going to external providers	£ 0.256 m	£ 3.120 m	£ 22.240 m
ASC additional spending not going to external providers	£ 0.144 m	£ 0.130 m	£ 1.420 m
Proportion of ASC - PPE additional spending going to external care providers	0.0 %	0.0 %	0.0 %
Total additional ASC PPE spending	£ 0.000 m	£ 0.000 m	£ 0.020 m
Additional ASC PPE spend going to external providers	£ 0.000 m	£ 0.000 m	£ 0.000 m
Additional ASC PPE spend not going to external providers	£ 0.000 m	£ 0.000 m	£ 0.020 m

Question B7: You have reported ASC spending that is not going directly to external care providers, please provide an explanation of the types of activity and costs this includes.

Workforce costs £1.37M
PPE £0.02M
Other £0.02M, purchase card spend

Question B8: What proportion of additional ASC spending going to external care providers is being spent on covering the lost income to care providers from reduced occupancy by the self-funding sector?

Please provide estimates as best you can, if you are unable to provide an estimate or have not reported any ASC expenditure as going to external providers in question B6, please enter zero.

Service Area	June 2020	July 2020	Full financial year 2020-21
Proportion being spent on covering the lost income to care providers from reduced occupancy by the self-funding sector	0.0 %	0.0 %	0.0 %
Additional ASC spend going to external care providers	£ 0.256 m	£ 3.12 m	£ 22.2404 m
Amount going to providers being spent on covering the lost income to care providers from reduced occupancy by the self-funding sector	£ 0.000 m	£ 0.000 m	£ 0.000 m
Amount going to providers not being spent on covering the lost income to care providers from reduced occupancy by the self-funding sector	£ 0.256 m	£ 3.120 m	£ 22.240 m

Question B9: Of your annual Adult Social Care spend estimate in B1, how much is money that has been committed, but not actually spent in the months specified above, for example from invoices expected or not yet fulfilled.

This should exclude pressures you have already budgeted for in your 20-21 baseline.

Service Area	Full financial year 2020-21
Total adult social care additional spending sub total	£ 23.660 m
Proportion that has been committed but not yet spent	5.5 %
Total adult social care additional spending committed	£ 1.301 m

Questions B10 and B11 refer to your additional homelessness and rough sleeping expenditure.

Question B10: Of your total additional expenditure on homelessness services, as reported in B1, how much is being recovered through housing benefit/Universal Credit?

Please report your answer in £m

Service Area	June 2020 (£m)	July 2020 (£m)	Full financial year 2020-21 (£m)
Additional homelessness service spend reported in B1	£ 0.000 m	£ 0.000 m	£ 0.000 m
Amount recovered through housing benefit /Universal Credit	£ 0.000 m	£ 0.000 m	£ 0.000 m

Question B11: Of your total additional expenditure on rough sleeping services, as reported in B1, how much is being recovered through housing benefit/Universal Credit?

Please report your answer in £m

Service Area	June 2020 (£m)	July 2020 (£m)	Full financial year 2020-21 (£m)
Additional rough sleeping service spend reported in B1	£ 0.080 m	£ 0.080 m	£ 0.520 m
Amount recovered through housing benefit /Universal Credit	£ 0.028 m	£ 0.028 m	£ 0.182 m

Section C: Income reductions due to COVID-19

Question C1: Compared to what you budgeted prior to the COVID-19 pandemic, how much have the following sources of income been reduced due to pressures caused by COVID-19?

As with Spending Pressures, please provide income loss estimates as best you can. You should report your losses in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so. Please report your loss estimates using positive figures. In all cases, losses should be reported as the difference between the actual/projected cash amount to be collected post COVID-19 (including the impact of the business rate measures announced at and since Budget 2020) compared to what to was originally expected to be collected in cash terms prior to COVID-19 and prior to Budget 2020.

If your income has not been affected by COVID-19, you must enter 0 (zero). Additionally, if you are a Precepting authority (shire county in a two-tier area), you do not have to enter your share of Business Rates and Council Tax losses as these will be reported by the respective Billing authority. Billing authorities should show all council tax and business rates losses, including those that will be attributable to preceptors and the central share.

You may wish to view your Round 3 June form which can be found in the DELTA datastore. Please use actual outturn-based income losses where possible for June 2020.

Where full financial year estimates are requested, please estimate these using government announcements to date and your authority's own current planning assumptions for the continued easing of lockdown restrictions.

Only drops in revenue that your authority budgeted to collect at the start of the year should be recorded here. Where your authority has provided additional financial support to external providers to recompense their lost income, this should be recorded as an expenditure pressure in section B.

For additional information, where available, please click the information (i) button.

Note: As reported in MHCLG's NNDR additional reliefs data release published in May 2020, the total value of expanded retail discount and nursery discount for 2020-21 is shown to the right.

NNDR published BR reliefs 2020/21:

£ 46.045 m

This is the figure taken from columns K + L of the datasheet at the below link: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/883615/Revised_NNDR1_2020-21_Additional_reliefs_exercise.xlsx

Please note this figure is different to the one used in Round 3, you may wish to update this figure with your latest estimate, although we would expect the revised estimate to be close to the pre-populated amount.

Billing authorities should show all council tax and business rates cash losses, including those that will be attributable to preceptors and the central share, and are to report 'losses' as the difference between the tax cash income they expected to receive and what they have actually received at each point in time.

	Estimated income losses £m pressure due to Covid-19		
Income source	**June 2020 (£m)**	**July 2020 (£m)**	**Full financial year 2020-21 (£m)**
1 - Business rates losses- COVID-19 Reliefs	June 2020 £ 4.119 m	July 2020 £ 4.119 m	Full year 2020-21 £ 49.422 m
2 - Business rates losses - Deferrals	June 2020 £ 0.500 m	July 2020 £ 0.000 m	Full year 2020-21 £ 0.000 m
3 - Business rates losses - other	June 2020 £ 0.466 m	July 2020 £ 0.466 m	Full year 2020-21 £ 5.590 m
Business Rates losses subtotal (cash receipts)	***June 2020*** £ 5.085 m	***July 2020*** £ 4.585 m	***Full year 2020-21*** £ 55.012 m
Business rates losses subtotals (after reliefs)	***June 2020*** £ 0.966 m	***July 2020*** £ 0.466 m	***Full year 2020-21*** £ 5.590 m
4 - Council Tax receipt losses - working age LCTS	June 2020 £ 0.282 m	July 2020 £ 0.495 m	Full year 2020-21 £ 5.939 m
5 - Council Tax receipt losses - payment failure	June 2020 £ 0.114 m	July 2020 £ 0.114 m	Full year 2020-21 £ 1.363 m
6 - Council Tax receipt losses - other	June 2020 £ 0.078 m	July 2020 £ 0.078 m	Full year 2020-21 £ 0.940 m
Council Tax receipt losses total	***June 2020*** £ 0.474 m	***July 2020*** £ 0.687 m	***Full year 2020-21*** £ 8.242 m
Collection Fund Losses - Total	***June 2020*** £ 1.440 m	***July 2020*** £ 1.153 m	***Full year 2020-21*** £ 13.832 m
	June 2020 £ 0.661 m	July 2020 £ 0.422 m	Full year 2020-21 £ 3.864 m

7 - Highways and Transport Sales, Fees & Charges (SFC) - Parking services losses

	June 2020	July 2020	Full year 2020-21
8 - Highways and Transport Sales, Fees & Charges (SFC) losses - other	£ 0.232 m	£ 0.196 m	£ 1.686 m
9 - Cultural & Related (SFC) - Recreation and sport losses	£ 0.000 m	£ 0.000 m	£ 0.000 m
10 - Cultural & Related (SFC) losses - other	£ 0.080 m	£ 0.080 m	£ 0.775 m
11 - Planning & Development SFC losses	£ 0.035 m	£ 0.030 m	£ 0.135 m
12 - Other SFC income losses	£ 0.380 m	£ 0.375 m	£ 3.416 m
Sales, Fees & Charges income losses total	£ 1.388 m	£ 1.103 m	£ 9.876 m

	June 2020	July 2020	Full year 2020-21
13 - Commercial income losses	£ 0.134 m	£ 0.134 m	£ 1.499 m
14 - Other income losses	£ 0.008 m	£ 0.008 m	£ 0.100 m
Non-collection Fund Losses Total	£ 1.530 m	£ 1.245 m	£ 11.475 m

	June 2020	July 2020	Full year 2020-21
TOTAL ESTIMATED INCOME LOSS	£ 2.970 m	£ 2.398 m	£ 25.307 m

Additional Housing Revenue Account (HRA) losses:

	June 2020	July 2020	Full year 2020-21
15 - HRA - residential rent arrears	£ 0.081 m	£ 0.081 m	£ 0.972 m
16 - HRA - commercial rent arrears	£ 0.007 m	£ 0.007 m	£ 0.080 m
17 - HRA - losses from voids (June 2020 / June 2020 / Full year 2020-21)	£ 0.013 m	£ 0.013 m	£ 0.040 m
18 - HRA - other	£ 0.004 m	£ 0.004 m	£ 0.048 m
HRA total	£ 0.105 m	£ 0.105 m	£ 1.140 m

Question C2: Your 2020-21 Business Rates loss attributable to reliefs is now different to the value of your published reliefs, please explain why.

The forecast for reliefs has been updated using business rates system data as at the end of June 2020

Question C3: You have recorded income reduction under ‘Other’ or a specific income loss line suffixed '- other' please specify what this represents.

BR - Other: empty property relief; payment failure; loss of growth from commercial developments
CT - Other: loss of taxbase growth from housing developments
Highways - Tolls from Itchen Bridge and Bus Lane penalty notices
Cultural - Venue income loss
SFC - Adult Social Care income loss, service income loss like registration ceremonies and nurseries.

Question C4: Using the RAG rating below, please assess the overall confidence you have in the accuracy of the income reduction figures provided. This uses a standard RAG rating system where red reflects estimates based on limited evidence/weak assumptions, and green reflects strong evidence and clearer assumptions.

Confidence in accuracy of income reduction estimates (RAG rating)

RED

Question C5. We are interested in understanding income losses which are irrecoverable and you know will impact on your financial position. Of the income losses specified below (and as you have reported in C1), what proportion is already known/deemed to be irrecoverable in that it will permanently impact on your financial position?

Income loss estimates should be attributed to the time period when the loss occurred e.g. if income was lost in June but will be recovered at a later date, this should be reflected in the June column.

Losses should be recorded as irrecoverable if they can not be recovered at any point.

Please express your estimate as a percentage of the given source of income loss. For each income type, your loss as reported in C1 is shown below, and the equivalent amounts deemed irrecoverable and recoverable have been calculated as a guide.

Sales, fees and charges	June 2020	July 2020	Full financial year 2020-21
Proportion of Sales, fees and charges income deemed irrecoverable	100.0 %	100.0 %	100.0 %
	£ 1.388 m	£ 1.103 m	£ 9.876 m

Total sales, fees and charges loss			
Irrecoverable sales, fees and charges losses	£ 1.388 m	£ 1.103 m	£ 9.876 m
Recoverable sales, fees and charges losses	£ 0.000 m	£ 0.000 m	£ 0.000 m

Commercial Income	**June 2020**	**July 2020**	**Full financial year 2020-21**
Proportion of commercial income deemed irrecoverable	100.0 %	100.0 %	100.0 %
Total commercial income loss	£ 0.134 m	£ 0.134 m	£ 1.499 m
Irrecoverable commercial income losses	£ 0.134 m	£ 0.134 m	£ 1.499 m
Recoverable commercial income losses	£ 0.000 m	£ 0.000 m	£ 0.000 m

Other Income	**June 2020**	**July 2020**	**Full financial year 2020-21**
Proportion of other income deemed irrecoverable	100.0 %	100.0 %	100.0 %
Total other income loss	£ 0.008 m	£ 0.008 m	£ 0.100 m
Irrecoverable other income losses	£ 0.008 m	£ 0.008 m	£ 0.100 m
Recoverable other income losses	£ 0.000 m	£ 0.000 m	£ 0.000 m

Confidence in accuracy of irrecoverable loss estimates (RAG rating)

AMBER

The government recognises that there might be a limited number of cases in which it is appropriate for local authorities to furlough workers and claim funding through the Coronavirus Job Retention Scheme (CJRS). This would be in exceptional cases: where staff salaries are largely funded by sales, fees and charges, where there is a significant reduction in these revenue streams which are not already offset by additional grant funding from central government, where these staff cannot be redeployed, and where the alternative would be redundancy.

Question C6: If you are considering, or have already furloughed staff and made a claim through the CJRS, please include an estimate of the extent to which a reduction in sales, fees and charges are expected to be offset by the CJRS funding you will receive.

You should report your figure in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places)

£ 0.000 m

Section D: Council Tax payment plans and Local Council Tax Support (LCTS)

Question D1: How many households – if any – has your authority agreed alternative council tax payment plans with in 2020-21? Please estimate your responses in this section as best you can.

1,500

Question D2. If you have agreed alternative arrangements, please also provide further detail on what the alternative payments plans look like. This could include, for example, arrangements to defer payments or to vary the amounts of payments to be taken over different months.

We allowed payees in both CTAX and Business Rates to move instalments from April 20 to January 21 to June 20 to March 21

The following question relates to your Local Council Tax Support (LCTS).

Question D3. Please estimate the total number of working age LCTS caseload and compare this against the authority's expectations for 2020-21, as set out in pre-COVID -19 budget calculations.

	As at 30 June 2020	As at 31 July 2020	Average of quarterly snapshots across the full Financial Year 2020-21
Total number of working age LCTS caseload	13,901	13,923	13,951
Total *expectation* of working age LCTS caseload (as set out in budget calculations pre COVID-19)	11,963	11,963	11,963

Confidence in accuracy of LCTS caseload estimates (RAG rating)

AMBER

Section E: Allocation of £500m Covid-19 Council Tax hardship fund

Please estimate your responses in this section as best you can. However, if for any question in the section you are unable to provide a rough working estimate, you can leave the box blank and continue to the next question.

The Government has made COVID-19 Hardship Fund payments totalling £500m to local authorities.

As stated in the Hardship Fund guidance, published on 24 March 2020, it is expected that billing authorities will use the fund to provide all recipients of working age local council tax support ('LCTS') during the financial year 2020-21 with a further reduction of £150 in their annual council tax bill.

Where a taxpayer's liability for 2020-21 is, following the application of council tax support, less than £150, then their liability would be reduced to nil. Where a taxpayer's liability for 2020-21 is nil, no reduction to the council tax bill will be available.

Having allocated grant to reduce the council tax bill of working age LCTS recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need.

Of this funding, your local authority allocation is:

£ 2.584 m

Question E1: How many working-age LCTS recipients have been re-billed with a hardship fund discount applied to their council tax liability?

14,299

Question E2: What proportion of your working age Local Council Tax Support caseload does your answer to E1 represent?

Please express as a percentage.

100.0 %

Question E3: What proportion of your authority's Hardship Fund has been allocated to provide discounts to current working-age recipients of LCTS?

The number provided should include actual and planned spend. Please express as a percentage.

82.6 %

In cash terms this is equivalent to:

£ 2.134 m

Question E4: What proportion of your hardship grant funding have you allocated towards other council tax reductions or support outside of the council tax system? Please express as percentage.

The number provided should include actual and planned spend. Please express as a percentage.

0.0 %

Question E5: If you would like to provide some additional commentary on your authority's use of the Hardship Fund, please do so here.

Awaiting trend on eligible numbers during easing of lock down, to then review early Autumn on take up and remaining sum.

Section F: Availability of reserves and cashflow difficulties due to COVID-19

In order to help us understand the impact of COVID-19 on financial sustainability, and on the basis of the funding provided to date, we would like you to provide us with some information on how you anticipate the shock will affect your authority's reserve levels and wider financial strategy.

Please provide information that is consistent with your input on income and expenditure.

Question F1: Please provide a provisional estimate of your unringfenced reserves balance as of 1st April 2020. Please separate between unallocated and earmarked reserves.

You should report your estimates in millions, though you can provide figures to the nearest thousand pounds (up to 3 decimal places) if you are able to do so, with a RAG rating for confidence in estimates.

Note: as reported in MHCLG's 2020-21 Local Authority Revenue Account data release published in July 2020, your 1 April 2020 reserves estimates are as shown below. For Question F1, you can provide more up-to-date estimates, if you wish to do so.

	Other earmarked reserves - 20/21 RA
Unallocated financial reserves - 20/21 RA	
£ 10.066 m	£ 67.317 m

	Unringfenced reserves as at 1 April 2020, £m
Unallocated financial reserves	£ 10.066 m
Other earmarked reserves	£ 67.317 m

Confidence in accuracy of reserves estimates (RAG rating)

AMBER

Question F2. What percentage of your unringfenced reserves would you not be able to reallocate to meet unforeseen budgetary pressures in order to balance your 20/21 budgets?

For example: if earmarked funds are ringfenced or are attached to contractual commitments and/or unallocated balances would fall below the minimum level you are required to maintain.

	% of unringfenced reserves as at 1 Apr 2020 unavailable for unforeseen circumstances	Unringfenced reserves as at 1 Apr 2020 unavailable for unforeseen circumstances	Unringfenced reserves as at 1 Apr 2020 available for unforeseen circumstances
Unallocated financial reserves	100 %	£ 10.066 m	£ 0.000 m
Other earmarked reserves	100 %	£ 67.317 m	£ 0.000 m

Confidence in accuracy of reserves estimates (RAG rating)

RED

Question F3: If, in the event, you are required to deploy reserves to meet COVID-19 pressures in 2020-21, what impact would using unallocated reserves and/or other earmarked reserves have on your wider financial strategy?

Please select all that apply

- [x] It would require you to add to reserves in 2021-22
- [x] It would delay planned savings/improvement plans
- [x] Other

Question F4: If you have selected Other, please specify.

Medium Term Financial Strategy to be reviewed, but will be pressure to replenish reserves given planned usage for budget issues and to meet further unknowns, including fresh waves of COVID. Re: F5 We are currently paying more in BR retail discount than compensated for by S31 grant - producing a cash flow cost

Question F5: Do you anticipate any difficulties in meeting cash flow requirements over the next three months as a result of pressures caused by COVID-19?

We are interested in any difficulties in meeting ongoing costs from your existing resources or through normal treasury management activity such as short-term borrowing. Please use the drop-down list provided.

No

Section G: Additional commentary

Question G1. If you would like to provide some additional commentary on how the COVID-19 pandemic is impacting your authority's finances and how you are responding, please do so here.

The forecast impact (costs, loss of income and savings) for the year is £47.6m. This compares with the grant from Government of £16.9m, (with support for income still to be announced), producing a shortfall of £30.7m.
Any use of reserves to cover the impact would significantly weaken the authority's financial resilience and needing to restore a level needed for risks, any overspending and delays in implementation of savings etc. Uncertainty over the financial impact through the collection fund and business rate retention share makes it doubly important reserves are available to support anticipated budget shortfalls. Further Government funding is therefore urgently sought and clarity with longer term ways to help.

For Question B9, the figures are based on committed spend up to the end of July, as a percentage of the annual forecast.

Many thanks for completing this form, please remember to click submit when you have finished each section and have S151 officer agreement.

DECISION-MAKER:		CABINET		
SUBJECT:		SUPPORT FOR CARE PROVIDERS – EXTENSION OF FINANCIAL SUPPORT TO ADULT SOCIAL CARE PROVIDERS		
DATE OF DECISION:		15 SEPTEMBER, 2020		
REPORT OF:		CABINET MEMBER FOR HEALTH AND ADULT CARE		
CONTACT DETAILS				
AUTHOR:	Name:	Matthew Waters	Tel:	07919 043553
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

Whilst the initial 'wave' of COVID-19 has passed, the care market has not yet recovered as the requirement to meet on-going substantial additional cost remains, and this cost pressure is likely to persist until at least the end of the next financial year. The winter period is also often a time for increased cost for providers, but it is likely this will be even more significant this year due to a number of COVID-19 related factors, including:

- The requirement for enhanced infection prevention and control, which is leading to significantly increased costs
- Increased staff costs as providers pay for staff required to self-isolate as well as for those who are unwell.

There is a need to sustain the local care market to ensure the council is able to meet its obligations under the Care Act 2014 to ensure a sufficient and diverse supply of high quality care and support services at a level capable of satisfying the current and future need for such services. It is not in the council's interest to lose local capacity whilst the longer-term impact of COVID-19 on the local demand for and supply of adults social care and support services is still unknown, and a review of the medium and longer term sustainability of the provider market is underway. This will inform the future relationship, commissioning intentions, and purchasing strategy with the market for 2020/2021 onwards.

This report seeks authority to incur additional in-year expenditure to ensure local care market sustainability. The requested resources are already contained within the total forecast expenditure for Adult Social Care as a result of the COVID-19 pandemic. These resources will provide targeted support for providers facing significant additional and extraordinary operating costs that puts them at risk of failing, and where to allow providers to become unsustainable will undermine the council's ability to satisfy demand for third party-provided adult social care services in the future. Any support provided will focus on the additional costs faced, rather than the impact of higher vacancy levels, except in exceptional cases. Expenditure will follow the principles of supporting the market and will include significant scrutiny of requests. An audit trail of all expenditure and reasons will be kept to show the decisions taken and the investment choices made.

This report is presented as a general exception item in accordance with the Access to Information Procedure Rules of Part 4 of the Council's Constitution. Amendments to the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 requires 28 days' notice to be given prior to determining key decisions. It was not possible to give 28 days' notice of this proposed decision as it was necessary to gain further information from the care sector as a whole regarding the financial position of providers.

RECOMMENDATIONS:

	(i)	To agree a budget of £1.9 million for adult social care to manage financial pressures within the care market in the city and to prevent care provider failure between October 2020 and 31st March 2021. This to be provided within the total forecast expenditure for Adult Social Care as a result of the COVID-19 pandemic.
	(ii)	To provide delegated authority to the Executive Director Wellbeing (Health & Adults) following consultation with the Cabinet Member for Health and Adults and the Executive Director for Finance and Commercialisation to agree support to care providers or segments of the market where a need has been identified and evidenced.

REASONS FOR REPORT RECOMMENDATIONS

1.	The adult social care provider market has faced and continues to face significant additional cost pressures as a result of the COVID-19 pandemic. In addition, income streams for many have been adversely affected due to the difficulty in filling vacancies with new clients at this time, often due to the requirement to comply with social distancing measures. Both these factors impact on the short-term financial sustainability of the care market. Appendix 1 sets out details of the local market and the additional and on-going pressures being faced.
2.	Commissioners will remain focused on ensuring market readiness to respond to the pressures anticipated for the local health and social care system this winter and the risk of a second wave of infections while also preparing for the longer term impacts on the market and the ability of the council to access adequate levels of care to meet the needs of local residents in the city.
3.	Use of the budget in a coordinated manner will enable the council to ensure there remains a diverse, sustainable and high-quality health and social care market within the city for the future, enabling it to meet its statutory duties under the Care Act 2014. It will enable appropriate targeting to provide support where it is needed, and to protect the market while the longer term impacts become clearer, and any potential realignment of the sector can be managed.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	**Do nothing** • Failing to provide and target resources to meet identified needs risks the viability of providers and would be in contravention of the Care Act 2014 requirements to maintain a sustainable care market. • There is a risk that the services could become unsustainable over time, leading to provider failure and significant pressures on adult social care to

	manage closures and to source new care. This will occur at a time when access to services remains difficult as providers manage infection control measures, vacancies, and recruitment and wellbeing issues in respect to their staff. • Most residential care homes in Southampton are small and medium-sized –enterprises. Many of these are particularly vulnerable to unanticipated upwards pressure on operating costs, increases in vacancies and, more recently, changes in infection control measures and expectations. The potential for failures in this sector is high and could occur systemically across care homes with significant numbers of Council-funded clients. The potential impact on the Council would be a requirement to support individuals to move to a new care home, potentially out of the city, and a likelihood that any new placements would require a premium payment higher than the published rate level. • The opportunity to shift the focus of providers to better meet the needs of Southampton's care clients will be missed.
5.	**Re-instate a standard rate uplift for providers of council-funded care** • Whilst this was an effective means of managing the risk of unforeseen failure in the local market at the onset of the COVID-19 emergency period, this is an inefficient way of targeting support in the medium to long term, and would fail to adequately ensure specific risks in the market are clearly identified and managed. • The estimated cost of providing an overall uplift is higher, at £2.4 million • This option would be unresponsive to changing requirements within the market.
DETAIL (Including consultation carried out)	
6.	COVID-19 has had a significant impact on the care sector providing services on behalf of the council. Providers are facing significant additional costs that puts them at risk of failing. This jeopardises the council's duty to ensure the stability of the local care market. It is proposed to ring-fence a budget of £1.9 million for Adult Social Care to provide targeted support for the local care market to reduce the risk of providers failing in the short term, while more research is conducted to determine the longer term impacts of both COVID-19 and full EU exit on the sector, and the consequent impact on the council.
7.	**Existing pressures** It is recognised by the LGA and ADASS (Appendix 2), at both national and local levels, that providers are experiencing significant on-going COVID-19 related cost pressures. The usual provider rates do not account for these additional costs as they were set before the onset of the emergency period.
8.	Evidence from our local market intelligence is gathered through our weekly contacts with all care homes, regular contacts with home care providers, contact via Infection control specialists and a survey by Hampshire Care Association (HCA – Appendix 3). All this provides a very good level of information on the state of the local care market. This intelligence also identifies a range of areas where costs have increased and provides

	information on the likely costs that will continue to impact on the sector in the future. Cost increases overall are in the order of 18% for care homes alone.
9.	COVID-19 related cost pressures have arisen due to: • meeting the costs of staff who are isolating and not available to work. This includes the costs of payments to staff during these periods, and the costs of replacing them, including through bank and agency staff • the significantly higher cost of Personal Protective Equipment (PPE) • the cost of implementing Government policy with respect to shielding and social distancing within care settings. These costs relate particularly to care homes and home care, but also affect some providers of support for homeless people and those fleeing domestic violence and requiring accommodation and support. These additional costs will continue for the foreseeable future.
10.	While this proposal enables support to be focused mainly on providers operating in Southampton, it also provides the flexibility to increase support for council clients in homes outside of the city, where not supporting the cost would result in eviction of the client together with the consequent impact on the health of the individual and the potential for additional costs.
11.	**Winter pressures** The oncoming winter period provides more uncertainty for the market: • The way that COVID-19 and influenza will interact when present together is unknown but, like the council, providers are having to prepare for a significant potential impact. • There remains uncertainty over the private payer market and how quickly this may recover to pre-COVID-19 levels, or if there will be a long term reduction in demand. The LGA and ADASS advise that there will be no recovery in the self-paying market until 2021. • The need to retain staff, to keep them well and fit, and to ensure there is adequate cover is already leading providers to consider retainers for staff for this period.
12.	**Support provided to the care market to date** To date the Council has provided a number of measures to both care and support providers in the city, including easements to payment terms and utilising the additional resource provided to local authorities by central government: • Payment periods: Bringing forward regular payment dates to help providers manage cash-flow. This easement saw payments periods brought forward by two weeks for care homes and up to three weeks for home care providers. These formally ended in July 2020 and the council is returning to its normal payment periods from November in line with government guidance received to date. • 10% uplift for care packages: Awarding a 10% uplift in payments to providers for social care clients initially for the period 19th March to 30th June for all care packages commissioned, both inside and outside of the city. This was extended to 31st July 2020 for packages commissioned within Southampton only.

	• Pass-through of Infection Control Fund grant of £2million: However, for care homes, costs related to PPE and deep-cleaning were excluded from this funding. The grant covers spend incurred in the period 13th May to 23rd September only. It is the Infection Control Fund monies that we are expecting most care providers to utilise to cover their additional costs between August and the end of September. The additional resource requested will then provide appropriate support from October 2020.
	• Managing additional requests for support: Work has been taking place to actively support the market and understand their current issues and respond accordingly.
	• There is significant additional support provided by the Integrated Commissioning Unit (ICU) and others for the sector. This includes:
	  o Guidance, support and training on a range of issues, including Infection Prevention and Control
	  o Ensuring clinical support is in place, including Enhanced Health Care
	  o Workforce support and resilience, including resources for supporting staff, access to recruitment campaigns and regularity of contact to ensure issues are identified early
	  o Digital access and support to enable better communications and to enable providers to access the training and information provided
	  o On-going communications with providers disseminating guidance, updates and other key information.
	This is outlined in the Care Home Oversight Action plan.

13.	**Southampton in a regional context** Councils within the south east region are making decisions to provide a level of on-going support • Hampshire County Council provided financial relief in the form of rate uplifts to adult social care service providers until the end of July, but this has been extended to the end of September with officer delegated decisions available to further extend the support until end of October 2020. • Portsmouth continue to provide a guaranteed a minimum level of payment for providers. This is gradually being phased out, and by the end of October will no longer operate. They continue to operate an emergency fund for providers most at risk. • In the wider South-East, councils are increasingly moving to providing a service sustainability fund to help with excessive PPE costs and provider financial difficulties. Examples include Buckinghamshire, Medway, Oxfordshire and Surrey. They are using the Infection Control Fund money to provide for the additional costs faced by homes until the end of September, with a view to considering longer term support during this period of time. In addition, Southampton CCG is expecting to offer a further 10% uplift on its commissioned packages of care until end of September in line with CCG’s across Hampshire. This will be payable regardless of where the care home is situated.

14.	**Meeting the long term costs in the market** Using the budget in a targeted way will enable the council to ensure the market is sustained for this financial year. A longer term review of the position is currently being commenced by the ICU. This is focusing on: • Understanding the greatest risks to the sustainability of the market and targeting support and resources appropriately. • Understanding future demand • Setting realistic rates for purchasing care provision based upon a better understand of the costs of care for the future. • Commencing work on re-shaping the market to better reflect the needs of the city. • Focusing on providing for a greater range of needs by ensuring clarity to the market on current and future requirements. • Develop new relationships with the market to secure capacity, access and sustainability of key resources.
15.	**Focusing the support** It is expected that the majority of the budget will be spent within the care home and home care markets, but with the flexibility to meet needs in other segments of the care market, where required. It will be focused on Southampton-based services, but there will be a need to consider the costs associated with some Southampton clients in homes outside of the city at times. The budget will be used both tactically and reactively. Tactically, the budget will be used to support segments of the market or to respond to specific requirements, such as evidenced increased costs or to support service re-shaping to fill gaps in the local market. The budget may also be used on a reactive basis to provide short-term support to individual providers in greater financial difficulty. Use of the budget will be evidence-based, with open book accounting principles being followed, and excess costs being verified.
16.	Support will be focused on meeting the exceptional circumstances faced by providers over the winter period. This may be the result of the additional costs for staff or PPE. It will also focus on providers experiencing significant issues with financial viability and cash-flow problems, or where there are risks of current placements failing without additional support.
17.	**Tactical deployment** The resource will be used to tactically incentivise the market to, for example, provide services to a different cohort of clients and to meet the complex needs of former COVID-19 patients. There are opportunities to re-shape some services away from the self-payer market, where this will increase capacity for the council and CCG. This could include increasing the availability of care for those who have the most complex needs – a group for which both the council and CCG currently rely increasingly on out of area providers to offer suitable placements.
18.	**Targeted reactive support** The resource will be available to help manage the risks of provider failure and to shore up the market at times of particular pressure. The expected increase in COVID-19 cases in the autumn and winter periods is one likely period when

	support may be required, as providers face additional staff costs to cover for those who are self-isolating; costs arising for the additional time spent with clients who are having to be isolated.
19.	**Process for managing additional support requests** Working closely with Finance colleagues, the ICU is developing a process for managing requests for additional support (Appendix 4). Most requests will be able to be dealt with simply through analysis of costs and the existing budget position of providers. However, for some requests a much more detailed analysis will be required. This will be enacted in the following circumstances: • few council clients being funded within the service (fewer than 30% of capacity) • high vacancy levels in the service • reduced capacity of the provider • high cost of provision in relation to similar providers • Where the provider's view of the service's long term viability assumes a profit margin of more than 5% • other factors requiring more details analysis

20.	The process followed in these circumstances will include:
	• *Financial analysis of the providers*, to ensure additional costs are verified.
	• *Alternative approaches available*. Considering other ways for the council to provide bridging support.
	• *Value for money*. This will include an assessment of the profitability of the service in past years, the rate of financial returns and dividends paid to owners, and the longer term financial plans of the provider.
	• *The cost of provider failure*. This will compare the costs of providing support in both the short and longer terms with the costs associated with a provider's exit from the market. This will take account of:
	  ○ the immediate costs associated with supporting clients and finding new care arrangements and the price of those arrangements; and
	  ○ the costs associated with providing short-term financial support and the risk that this may result in long-term additional spend.

21.	The information will be matched with the ICU's market knowledge which will further assess the reasonableness of the additional support approach. This will provide information on:
	• Longer term sustainability of the service. An assessment of the likelihood the service will be able to recover.
	• Vacancy data – to determine if the service is financially sustainable in the longer term.
	• Client need data – to assess if there are ready alternative providers.
	• Strategic analysis of the provider and service position in the market, including:
	  ○ local strategic importance of the service
	  ○ impact on clients and the council of provider failure.

22.	The ICU is finalising a risk and decision matrix to ensure transparency and fairness in determining the appropriateness and type of support provided for

	some providers. This will use information from the provider, from commissioners' knowledge of the market, and negotiations with providers to determine the risk to the council if support is not provided and the type of support that will best help the council in maintaining access to services. The matrix will be tested against provider scenarios to ensure its robustness.
23.	Communication with the sector will need to be carefully managed to ensure any temporary support does not inadvertently evolve into long term cost pressures. The need for future support will be the subject of the long term requirements work outlined above, taking account of the future economic and national policy context that prevails at that time.
24.	While it is generally not in the interests of the council to enable providers to fail at this time, managing provider exits from the market if there are suitable and financially viable alternatives available, is an option available and to be considered as part of this process. This will mean the response will be based on the market as it currently stands, but with the flexibility to secure changes as required.
25.	**Sustaining the market and ensuring access for council clients** Adult social care service providers are facing an unprecedented challenge and it is likely that the cost of providing care and support services will be higher than it was prior to the onset of the emergency period and for the foreseeable future. The Council will therefore review its commissioning arrangements and published rate levels for the next financial year in a manner that realistically accounts for the longer term impact of COVID-19.

26.	This work is part of significant commissioning work and is covering:
	• Overview of current provision
	    o strengths and weaknesses, capacity and under-utilisation.
	• Demands on the sector and how the continuation of moving from residential settings to care at home can be continued safely.
	• Responses to winter pressure demands.
	• The delivery of Potter's Court housing with care scheme in quarter one 2021, as well as the potential for developments in the future.
	• Managing risks of services closing
	    o developing responses to potential closures
	    o ensuring key services are maintained, and
	    o continuing to shape the market to deliver the care required by the council and CCG.
	• Workforce issues, including:
	    o carer capacity
	    o how to support staff at work
	    o how to retain staff as the way the market delivers care continues to shift to the home care model.

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
27.	To date the council has provided support to the care sector of £1,932K, with a further £248K to be spent due to payments made in arrears. The total spent on these uplifts to date is therefore £2,180K. As the figures for home care are subject to monthly variance and are paid in arrears, a reconciliation process to

	determine the exact amounts paid will be undertaken once the final 10% uplift payments are made.
28.	Together with the proposed budget of £1,900K for the period October 2020 to March 2021, this will bring the total additional and directed support to £4,080K. The budget has already been included within the existing forecast expenditure in the current financial year as part of the Adult Social Care response to the Covid crisis.
29.	This is below the original forecast figure of £4,839K as the approach recommended for supporting providers will enable more effective targeting of support to specific elements of the market.
30.	All payments will be made in line with the Financial Procedure Rules and Contract Procedure Rules.
Property/Other	
31.	Not applicable
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
32.	S.1 Localism Act 2011 and Coronavirus Act 2020.
33.	The Care Act 2014, as amended by the Coronavirus Act 2020, places statutory duties on local authorities to promote the efficient, effective operation and sufficiency of the market for adult care and support, this includes support for self-funders. This approach will ensure that the Council is supporting providers to remain financial stable during this emergency COVID-19 period.
Other Legal Implications:	
34.	None
RISK MANAGEMENT IMPLICATIONS	
35.	This risk not to provide financial support in the ways identified within this report will: • Potentially destabilise the care market in Southampton; especially if multiple local care home or home care providers were to fail simultaneously. • Provider failure resulting in a reduction in provision available to support individuals. • Care home failure can have an adverse impact on the wellbeing of individuals placed in the home, as it has been shown that the move to an alternative setting can increase the risk that deterioration is accelerated and on an individual's quality of life. • Significantly affect Southampton City Council commissioning and contractual relationship with their providers. • Present Southampton City Council as an outlier compared to those within our region. • Further contribute to the fragility of the care market therefore affecting the Council's local supply of safe hospital discharge and the statutory

	responsibilities. This again will both have an impact locally and nationally, and increase the reliance on care homes outside of the city to meet needs, often at considerably higher cost. • Make it difficult for the council to demonstrate that they are meeting their statutory duties under the Care Act 2014 to ensure there remains a sustainable health and social care market.
POLICY FRAMEWORK IMPLICATIONS	
36.	This proposal contributes to: • Southampton City Council Strategy (2020-2025) – transforming adults' social care. Ensuring a stable care market supports greater choice and control over the services they use, that access is straightforward and service provision is appropriate and timely. • Adult Social Care and Support Planning Policy, which outlines how the council deliver services in support of its duties under the Care Act 2014. • Joint Health and Wellbeing Strategy (2017-2025), supporting people to get the right care at the right time.

KEY DECISION?	**Yes**
WARDS/COMMUNITIES AFFECTED:	**ALL**

SUPPORTING DOCUMENTATION		
Appendices		
1	**The Care Market In Southampton**	
2	**ADASS/LGA report**	
3	**Hampshire Care Association Report**	
4	**Additional Support Process**	
Documents In Members' Rooms		
1.	Not applicable	
2.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		**Yes**
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		**No**
Other Background Documents **Other Background documents available for inspection at:**		
Title of Background Paper(s)		
1.		
2.		

Appendix One to report Adult Social Care: Support for Care Providers – Extension of financial support to Adult Social Care Providers

Residential care homes and nursing homes both provide 24-hour care in an accommodation setting. Nursing homes also provide nursing staff, enabling them to provide a higher level of care to those individuals with the most complex needs. The home care market provides support to people in their own homes, and includes care provided within extra care and supported living environments, where 24 hour care is provided. Some individuals in these environments are very frail and these act as direct alternatives to residential care settings.

Residential care homes are often small, within refurbished standard housing available on the open market. This accommodation is unsuitable to meet all needs, with many homes having shared rooms for clients. During the COVID-19 outbreak these homes have sometimes struggled to manage appropriate isolation. Many providers in the city own only one or two properties. There are few larger units, specifically built, and where available these are owned and managed by regional and national organisations, and one home is owned and managed by the city council.

There is an under-supply in adult nursing care provision, despite the city having developed two long term contracts to guarantee supply. Although the numbers of council placements into nursing care have not changed significantly in recent years, the need levels have increased significantly, and too much of the provision in the city remains at too low a level to meet the more complex need requirements. As a result, around 40% of all placements in nursing homes are made outside of the city, even if the majority of these are made in homes within just five miles of the city boundary.

All nursing homes are privately owned, and all bar two are owned and run by regional and national organisations. All are purpose built, although a rehabilitation centre has been built as part of a large existing building.

Two care homes in the city have closed in the past three years – one in 2017 and one in 2018. Both followed CQC inspections and requirements to invest in the homes to meet standards. These reflect the need for investment in many homes, but also the fragile financial state of many.

At any one time, the council commissions a minority of places in homes in the city. This is around one-third of all places in nursing homes and up to 40% of the total places in residential care homes. The CCG commissions further nursing home places, which means the public sector commissions up to 40% of the total nursing home places in the city. This includes 100 places within two nursing homes where the council has long-standing contracts.

Care home placements are increasingly required only for those with the most complex needs and challenging behaviour. Demand for nursing care that is suitable for those with cognitive impairments and complex needs in particular, is increasingly outstripping local supply and as a result, 40% of the Council’s nursing home placements for this group are now made outside the city boundary.

Commissioning care in homes
The overriding priority when commissioning care is to ensure sufficiency of supply of quality care. Under the Care Act 2014 a local authority has a duty to ensure sustainability of the care market and to ensure that there is diversity and quality in supply. Providers are autonomous businesses responsible for employing, training and setting pay and terms and conditions for their own workforces. The council has to set fees that cover the legitimate

costs of delivering the service and make a fair return to support the business to be sustainable.

Although the Council remains the single biggest purchaser of available beds in the market, self-funders purchase the majority of places. This puts added pressure on the council when setting fees as, in essence, it is competing with self-funders who generally providers favour as they often have lower support needs and are in a position to pay fees at a higher rate.

In addition, the publication of the Competition and Markets Authority (CMA) report in 2017 showed that while the market overall is able to cover its costs, it is finding it increasingly difficult to cover future capital requirements. Profit margins are low at an average of 3%, and investment companies have chosen to invest in the sector mainly due to the potential land values of homes.

The ICU updated its financial analysis of the 10 homes in the city with the highest number of council placed residents in 2019. This showed that these providers were covering their operating costs but that the rate of return did not allow for any significant investment decisions to be made from capital. This is added to by the rate of returns being low, meaning that securing funding from the banking sector may also be difficult. This information matched the circumstances faced by the two homes to have closed in the city in recent years.

The councils published rate levels are in the lowest quartile in the south east. It is increasingly difficult to secure places in homes at the published rate levels the council has set. These are the minimum levels the council will pay, and are in the lowest quartile of costs in the south east region.

The home care market in Southampton
Home care provision is diverse with large national companies providing the majority of care, but smaller start-up companies coming into the market regularly. The council operates a framework. This was last tendered in 2019. The framework is opened for new providers to enter on an annual basis. This enables new providers to develop their business.

Providers of extra care services and supported living environments are chosen from the framework. Although the home care market framework is providing over 1000 more hours of care in the community, until the Coronavirus pandemic, it was unable to fully meet demand. As a result, these new providers are receiving business outside of the framework contract, where required. So, while the market is vibrant, it has still been struggling to meet the demand from the council until the COVID-19 pandemic.

Impact of COVID-19 on the care market in Southampton

The COVID-19 pandemic has placed great pressure on the social care market. Many homes have faced COVID-19 outbreaks and have had to deal with the responsibility of both preventing outbreaks and in dealing with these if and when they do occur. It is widely acknowledged that the care home sector has faced particular problems in managing infection prevention and control during this period. Additional staffing has been a factor for many providers as staff have had to isolate to prevent infections from spreading.

For the care home and the home care market, additional pressures have also arisen from Personal Protective equipment (PPE) costs, due to both additional requirements and the costs of items rising; the costs associated with finding new PPE suppliers with stocks (most prevalent at the start of the pandemic but still impacting at times now); staff sickness and absence due to isolation; and, in supported housing schemes, such as extra care services, similar impacts to those faced by care homes in managing infection control measures.

During the pandemic the capital costs of equipment and staffing costs have risen. Most of these costs are stable and do not vary according to the number of residents in a care home under normal circumstance. However, John Bolton's work for the Institute of Public Care (Appendix Three) suggests that rising operating costs as a result of COVID-19 mean the price of care will have to rise to compensate.

Evidence from both our local market intelligence gathered through our weekly contacts with all care homes, regular contacts with home care providers, contact via CCG Infection control specialists and a survey by Hampshire Care Association (HCA – Appendix Four) provides a good level of information on the state of the local care market. This intelligence also identifies a range of areas where costs have increased and provides information on the likely costs that will continue to impact on the sector in the future. Cost increases overall are in the order of 18%, although it is significantly higher for some providers, particularly those that have faced significant COVID-19 outbreaks. In addition, resident vacancy rates in some services are causing concern as the level of income is reducing.

The cost of providing adult care has increased as a result of COVID-19
This is the conclusion of a report for ADASS and the LGA, compiled by Laing and Buisson. The report estimates that the largest additional cost for the care sector relates to PPE and infection control requirements. Other significant costs are driven by staffing requirements and vacancies in homes that are not easy to fill at this time. Whilst the report estimates cost pressure up to the end of September 2020, it is likely that the majority of these costs will continue for much longer.

All care and support providers in the city have faced problems in managing infection transmissions, staff absence due to isolating, and impact on time being spent with service users due to isolation and visitation not being permitted. At the same time, for many care providers income streams have reduced due to cancellations of home care visits and higher than usual vacancy levels in care homes, as shown in the following examples:

- One home in the city, have provided information to show the cost of care has increased by an additional £55k between March and 30th June. This figure is net of the financial support received from the Council during this period, including both instalments of the Infection Control Fund grant. If the loss of income due to higher than usual vacancy rates were added to this, the financial impact of COVID-19 on this provider would be even higher.
- The cost pressures faced by smaller care homes have been significant as well. The cost of care at another care home in the city, has increased by an additional £25k over a similar period, a figure which is again net of the financial relief received from the Council.

The cost of PPE and maintaining infection control measures will continue to be a pressure
The additional cost of PPE is affected by a number of factors including additional equipment required; the need to use and change PPE more regularly; the changes in guidance that have occurred making previous stock obsolete; and the time taken to source supplies. Whilst the volatility associated with this requirement is beginning to stabilise some providers continue to seek emergency supplies from the Council due to PPE supply chain disruption.

The Hampshire Care Association (HCA) survey of care homes suggested increases in costs at an average of 194%. Some providers have reported even higher increases for a significant range of items, ranging from 300% to 3000% in some cases. Part of these excess costs will be a level of stockpiling, but most providers are still having to make regular orders as supplies have only been available to cover short periods of time. It is likely the pressure on care providers will continue in both sourcing and paying for PPE, as infection control measures are not likely to be eased for some time. It is likely that PPE requirements will permanently increase the cost of providing adult care services, although the government have ceased the VAT costs on PPE for the care sector. It is also important to note that the terms of the national Infection Control Fund grant prohibit providers from using this resource to purchase PPE. A further example of PPE-related financial pressure on the local home care market is shown below:

- A local home care provider, has reported that their expenditure on PPE has risen from approximately £60k last year, to £215k for the three-month period March to May 2020.

In addition, many care homes are undergoing regular deep cleans. ADASS/LGA estimate an average cost of £5000 per home for each clean. Some homes are conducting these on a monthly basis. Whilst infection control measures have been significantly enhanced to help reduce the risk of further outbreaks, the costs associated with these are continuing

Staff costs remain higher than usual
There are approximately 5,800 care jobs in the city. The vast majority of these are care workers, over 80% of whom are females, who live in the city. The care sector is therefore a significant employer of local people.

The largest single impact on providers is any increase in staff costs ‐ which account for between 60% and 80% of operating costs for an adult social care service provider. For many, increases in staff absence have led to considerable increases in both Statutory Sick Pay contributions, and agency staff costs.

Care homes have reported increased agency staff costs of between 2000% and 3000% - from low levels of use at the start of the year, to high levels of cover being required from March onwards. Some home care agencies have reported that staff costs have risen by up to 1500%. For many providers, this period is representing the first time they have had to use agency staff in their services, as their usual staff and bank complements have been insufficient to cover for absences.

Staff are continuing to have to isolate – a result both of potential symptoms and following referral from the new test and trace system.

- For a number of care homes, the cost of providing replacement staff has been considerable. This cost has been both for bank staff and agency staff and to provide cover for:
    - Nurses (in nursing homes)
    - Care staff
    - Ancillary staff – cleaners, kitchen teams.
- Whilst COVID-related pressure on staff costs is currently falling, care homes are still currently having to provide additional staff hours at a level that is well above standard operating costs. They are also planning for the summer period where staff will take pre-booked leave, and to manage the need for staff who have worked long hours over this period to take additional time away from the work environment.
- Home care agencies have faced similar issues with staff and agency staff covering for those who have been isolating.

Vacancy levels are significant in homes, and activity levels have reduced in home care
The HCA survey suggests 60% of homes are reporting vacancy levels above the usual levels, and that this has been contributed to by a range of factors:

- As has been the case nationally, the rate of deaths within care homes and in hospitals following admission from care homes has been higher than usual during the emergency period.
- Reduced demand from self-funders reflecting the lack of confidence in the market and fears regarding the safety of homes.
- A reduction in referrals from commissioning bodies, including the Council and Clinical Commissioning Group (CCG).

The latest figures indicate that there is a 15% vacancy rate in a sector that normally works on a 5% turnover level and which rarely has vacancies available.

Residential care vacancy rates are normally higher than those for nursing homes in the city, but some homes are currently experiencing vacancy rates that are substantially higher than usual.

Home care support hours have reduced from pre COVID-19 levels in March 2020. This is helping to ensure home care provision is more readily available as the complexity of individuals requiring support has increased and is often needed at very short notice.

- A number of nursing homes in the city have vacancy levels above 20%.
- Four residential care homes have vacancy levels above 20%.

The private payer market has reduced, with little sign of recovery
There is a concern that new private paying clients will be reluctant to seek support from home care and/ or care home services. For instance, one care home in the city, has received no private client requests since the commencement of the pandemic in March.

As private payers make up approximately 60% of the total placements in care homes in Southampton and the South East, this will have a significant impact on the market.

Private payers tend to pay considerably higher fees than local authorities**.** Most care home business models assume a proportion of private payers that allow them to offer placements to local authorities at rates that are less than the full cost of care. If there is a smaller pool of new privately paying clients this will have an impact on the income for homes and will force homes to increase the related fees for local authorities.

The current vacancy rates in homes places them at risk of closure due to no longer being financially viable. Large providers will be considering their options based on vacancy rates across all their homes locally, for example:

- At the start of July, a care home provider managing more than one home rationalised their costs by closing one of the services and moving residents into their other care homes. They will save costs both in staffing and in the running of only one home.
- Other providers have signalled the need to consider rationalising services where they have the ability do so.

Confidence within the care market is low
The HCA survey has found that 58% of providers are concerned that the current crisis could put them in a high risk position with their lender. This affects those with a loan or mortgage needing to be repaid. However, nearly two-thirds are concerned over the long-term impact of continued financial pressures on the viability of their business.

Whilst the pressures on the home care market may have seemed to be less acute for many, due to fewer services requiring 24-hour cover, the risk for some providers remains high should the demand for services continue to remain low ‐ meaning income is reduced - and should the costs of PPE and the costs of meeting staff sickness pay continue in the medium and longer term, which is likely. As demand is now increasing, it is important that there is sufficient provider capacity to support the increasing need for care in the community.

A major concern of the sector is that the test and trace system currently being put in place may have a significant impact on the availability of carers, not only because of contacts outside of work but also because of their contact with individuals where they are employed who may become infected. This is, however, an issue that has not yet come to pass but that will require careful monitoring.

COVID-19: Financial pressures in adult social care Information provided to the Minister of State for Care

Purpose of this note

The purpose of this note is to share some financial information that was provided to the Minister of State for Care, Helen Whately, on 9 May. The Minister has been considering how the Government might respond to this information. We do not know when and how the Government will respond. However, we thought that this information must now be shared with local authorities to help your response to the financial pressures facing adult social care.

This note should also be considered alongside our previous advice note of 8 April, in which we said that we would undertake further work on the true costs of COVID-19 for providers. This forms part of this work.

It is important to stress that this national work should not be assumed to be a prediction of what costs will be incurred locally. Those costs will vary across areas, or across providers within an area or over time. Councils have committed to meeting the additional costs of supporting local authority clients but that will be based on the experience of individual providers as evidenced to local authorities. Local authorities report that the experiences of one provider can be very different to another provider close by.

Background information

On Wednesday 6 May, in her meeting with Association of Directors of Adult Social Services (ADASS), the Local Government Association (LGA) and Care Quality Commission (CQC), the Minister of State for Care indicated that she wanted, as a matter of urgency, figures around the totality of cost pressures and lost revenue facing the adult social care provider sector.

LaingBuisson were commissioned by local government (LGA and ADASS) and worked with the Care Provider Alliance (CPA), to estimate the additional financial pressures on independent adult social care providers due to COVID-19. This analysis covered all independent providers supporting both younger adults and older people whether in care homes, or supported living or receiving home care. It did not include Personal Assistants paid from a Direct Payment or from someone's personal income. Nor did it include in-house services.

This information was discussed with senior officers from the LGA and senior representatives of both ADASS and the Association of Local Authority Treasurers (ALATs) prior to submission of the final information to the Department of Health and Social Care (DHSC) on 9 May. However, this information has not been shared more widely with councils until now to provide time for the Government to decide how to respond.

Summary of the information provided to DHSC

The analysis identifies significant financial pressures.

The analysis highlights the following financial pressures facing adult social care providers from 1 April up to the end of September 2020:

a) The costs of providing personal protective equipment (PPE) to ensure that both those receiving personal care and those providing that care are safe is £4.179 billion up to the end of September 2020: £3.091 billion care homes; £802 million home care; £286 million supported living. These numbers reflect the prevailing costs to providers of purchasing PPE and the updated advice issued on 3 May on the recommended use of PPE in social care. These costs and the interpretation of the advice continue to be subject to further discussion and may reduce.
b) Infection control will also require regular deep cleans of care homes at a cost up to the end of September of £616 million.
c) Additional staffing costs of £1.018 billion up to the end of September for increased staffing costs across care homes, supported living and home care. This reflects the costs of recruiting workers to cover for staff who are off sick or self-isolating.
d) Additional other costs in care homes such as additional staff time on site £79 million.
e) £525 million average net lost revenue for care homes, supported living and home care. This lost revenue is split: £472 million care homes; £39 million home care: £14 million supported living.
f) £189 million average lost revenue for non-local authority managed day centres.

These financial pressures total £6.606 billion. Over half the cost pressures relate to care arrangements made by councils (£3.3 billion compared to £2.6 billion relating to private or NHS commissioned care arrangements) but most of the income loss would reflect a fall in the numbers of people funding their own care or funded by the NHS.

The total pressures do not take account of payments already made to providers by councils or the provision of free PPE, seconded staff or other support in kind.

Pages 3 - 5 provide more detailed information which may be of use to local authorities.

Additional information which could be of use for councils

PPE

1. The cost of PPE is almost two thirds (63 per cent) of the total cost of £6.6 billion. In part, this is affected by the assumptions about how often face shields can be used. The analysis assumes that they can only be used twice. If they could be used five times, the costs of PPE would fall from £4.179 billion to £2.670 billion although this would still be the largest single financial pressures on providers.
2. The assumptions about the cost of PPE and its usage, reflect work that was carried out by McKinseys and by Accenture for the United Kingdom Home Care Association. The latter analysis was reviewed by several local authorities. Their feedback was that the assumptions about both cost of equipment and its usage were reasonable. However, this was before the revised guidance on the use of PPE in social care was published on 3 May. This led to the new assumption about the use of face shields.
3. When we submitted the information to DHSC, we said that our view is that PPE should be supplied free during the current crisis. This would eliminate one significant financial pressure for both providers and councils. Local authorities could help with the purchasing and supply of the equipment with central government paying for it. Alternatively, providers could submit invoices which are reimbursed by central government but administered by local government.

Deep cleans

4. The analysis assumes that each care home will require a fortnightly deep clean at a cost of £5,000 for each clean per care home.

Staffing

5. The additional staffing costs of £1.018 billion up to the end of September are 12 per cent of the staffing budget.
6. The analysis assumes that all staffing absences are covered either by using agency staff or by existing employees working overtime. Staffing absences are assumed to be highest in April and decline steadily over following months but would still be higher than normal in September.

Lost income

7. LaingBuisson have also identified the financial pressures arising from the loss of income. Several local authorities have provided support in response to this by block booking beds or agreeing to fund home care and community services even if people do not make full use of them. However, they are doing this in the context that the predominant purchaser of care is the local authority.
8. There are other services which are used predominantly or exclusively by people who are funding their own care. We have sympathy for those businesses, but we do not believe that it is appropriate for local authorities to support such private businesses. There is also the issue of State Aid rules which are considered in the Infection Control Fund Grant circular. If the Government wants to support those businesses, we suggest that this is something they should do directly with the

businesses concerned as part of their overall strategy for supporting businesses. We would suggest that the CQC in their market oversight role are asked to review the financial context in which such providers operate.

9. We recognise that there are providers who fall between those two categories where there are a mixture of local authority funded users and people who are funding themselves. Councils will make their own decisions about the extent to which they should and are able to support providers where most but not all clients are funded by the local authority.

Lost revenue for non-local authority managed day centres

10. Most day services are now run by voluntary groups and funded from charges paid by those who attend (which may come out of personal budgets funded by the local authority).
11. The loss of revenue assumes that day services will not be able to open until the virus is no longer a threat, that paid staff are furloughed on full pay (with support from the national furlough scheme) and that there will be some fixed costs which are unavoidable (such as rent payments for buildings).
12. The calculation assumed that 80 per cent of the furloughed employees pay would be funded by the Government throughout the period. This now looks optimistic in the light of the Chancellor’s revisions to the furlough scheme.

Other issues

13. These additional temporary cost pressures are much higher than we had originally anticipated. We had provided information to local authorities and the Minister in early April which assumed that the temporary cost pressures could be around 10 per cent. This was driven by the likely level of staff absences and the costs of ensuring that there were sufficient staffing resources. LaingBuisson’s analysis suggests that initial analysis of staffing pressures was reasonable. That initial analysis was unable to be informed by good quality evidence of the costs of PPE although we did warn the Minister that this was likely to increase the costs still further.
14. The analysis assumes that there will not be a second wave before September 2020.
15. Our view is that there will be additional costs after September 2020. Adult social care supports people who often have several underlying conditions or are frail. They are the people who must be shielded from the virus until a vaccine is discovered. It is inevitable that there will be extra staffing costs and the need for PPE until then. We suspect that there will be significant costs after September and potentially well into the 2021/22 financial year. We also agree with providers that it is unlikely that demand from self-funders will recover until 2021.
16. DHSC’s view is that the Infection Control Fund is <u>not</u> intended to fund these pressures. It is intended to pay for additional pressures that will fall on care homes due to the need to have enhanced infection control measures which will increase staffing costs. Those costs would be <u>additional</u> to the £6.6 billion.

Financial Impact of Covid-19

An analysis of the impact on Hampshire's social care providers

Hampshire Care Association

Hampshire Care Association

04/06/20

Contents

1

The Hampshire Care Association (Introduction)

Hampshire Care
Association

The Hampshire Care Association

The Hampshire Care Association (HCA) represents 298 adult social care providers across the county (272 residential and nursing care homes and 26 domiciliary care providers).

HCA providers work across all sectors: the elderly (including nursing care), those with mental health needs and those with learning disabilities - in residential settings and in the community.

Our members are proud of their dedicated and highly skilled workforce who work tirelessly to provide compassionate and fantastic care every day.

.

2
Research Context & Objectives

Research context

Prior to the Covid-19 pandemic, the adult social care sector was under severe financial duress with calls for urgent funds to prevent the sector from collapse.

Nearly £8bn has been cut from council adult social care budgets since 2010. Local authorities have been left with no option but to cut services (an estimated 1.4 million people who need care are denied it as a result of cuts), and reduce what they pay for care.

At the same time, the regulatory environment for social care has kept pace with rising demand and needs. Providers and local authorities have been asked to provide a lot more for a lot less.

The government's long-awaited Social Care Green Paper, originally due to be published in April 2017, has now been delayed five times with intensity on the sector growing considerably in the meantime.

Adult social care providers and their staff have been working tirelessly during this pandemic. The professionalism, sense of community and highly skilled work from all involved has provided the protective ring that has been so absent from central government.

Within this context of crisis, the Hampshire Care Association wanted to understand the financial impact that Covid-19 has had on providers, and their assessment of what this means for the future of the services they provide.

Research objectives

The HCA wanted to understand:

1. **Where** providers have incurred **additional costs** as a result of **Covid-19**
2. **How much** costs have increased overall, and by individual cost areas
3. Whether the current financial support on offer is a) **reaching the front line** and b) is **sufficient to cover costs**
4. Whether the Covid-19 crisis could pose a **threat to market stability** going forward.

3
Sample and Methodology

Sample and Methodology

Over the course of 2 weeks, (18th – 31st May 2020), we collected data via an online survey sent to every adult social care provider across Hampshire – including the 298 members of the HCA.

Overall, we received 137 responses. Not all providers responded to every question therefore there are varying sample sizes throughout. We have indicated some of these variations.

In this report, we refer to 'total costs.' This is our proxy based on the sum of six major cost elements: staff, agency staff, SSP, holiday pay, infection control and admin/IT. It should be noted that for some providers other cost elements may have had an impact.

Methodology

A short survey, scripted online, formatted for response on all electronic devices; 5-10 mins length

We focused on costs from Feb, March and April, using February as a pre-Covid-19 baseline

Sent to all Hampshire Care Providers – HCA members and non-members

4
Topline findings

Overall, costs have increased by 18% since February.

99% of providers report seeing **increased costs** as a result of the covid-19 pandemic.

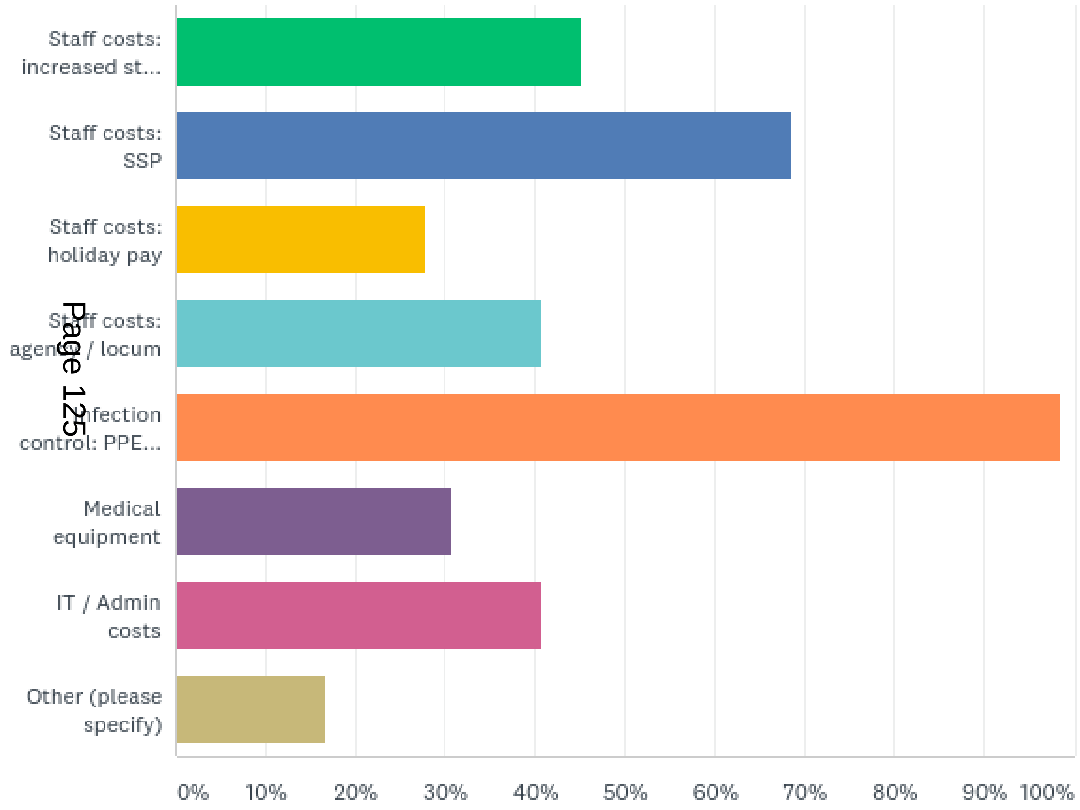
Staff costs and infection control costs are contributing most to the increased costs.

Current financial support is not enough
59% of providers say that current support on offer will not cover their increase in costs.

Covid-19 is negatively impacting market stability
60% of providers report below average occupancy levels.
58% of providers are concerned the current crisis could put them in a high risk position with their lender.
65% of providers state this crisis puts the future viability of their service at risk

5
Cost analysis

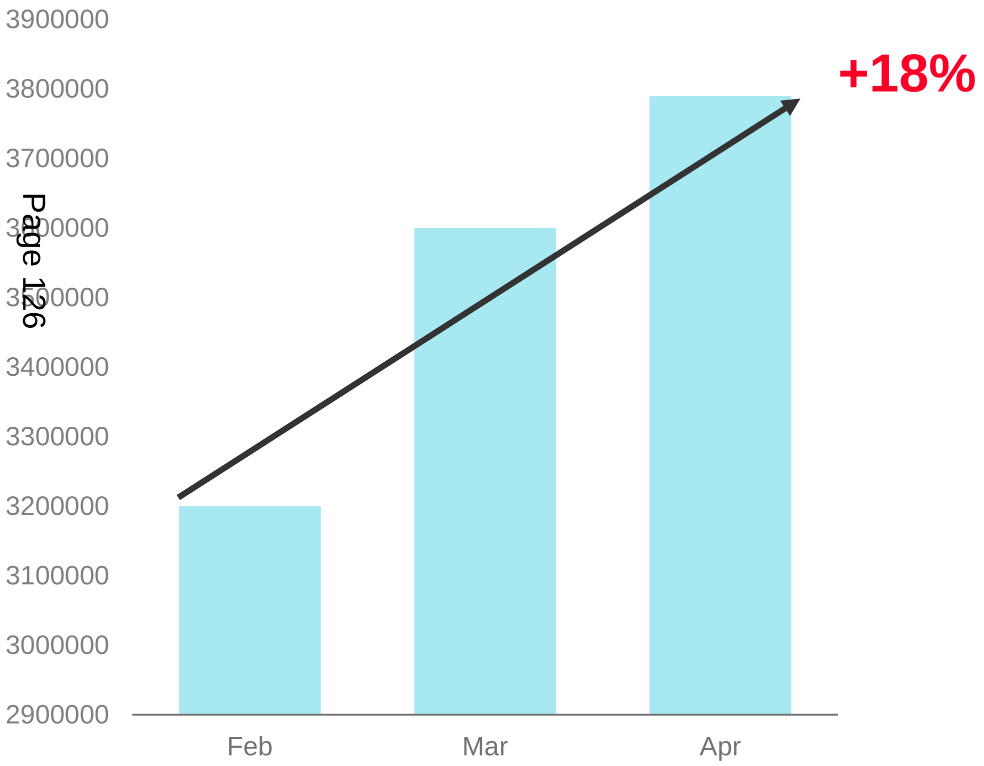
Increased costs are being felt by providers across the full range of areas



ANSWER CHOICES	RESPONSES	
Staff costs: increased staff to resident / client ratios	45.26%	62
Staff costs: SSP	68.61%	94
Staff costs: holiday pay	27.74%	38
Staff costs: agency / locum	40.88%	56
Infection control: PPE, clinical waste etc...	98.54%	135
Medical equipment	30.66%	42
IT / Admin costs	40.88%	56
Other (please specify)	16.79%	23
Total Respondents: 137		

At an overall level, costs have increased by 18% since February

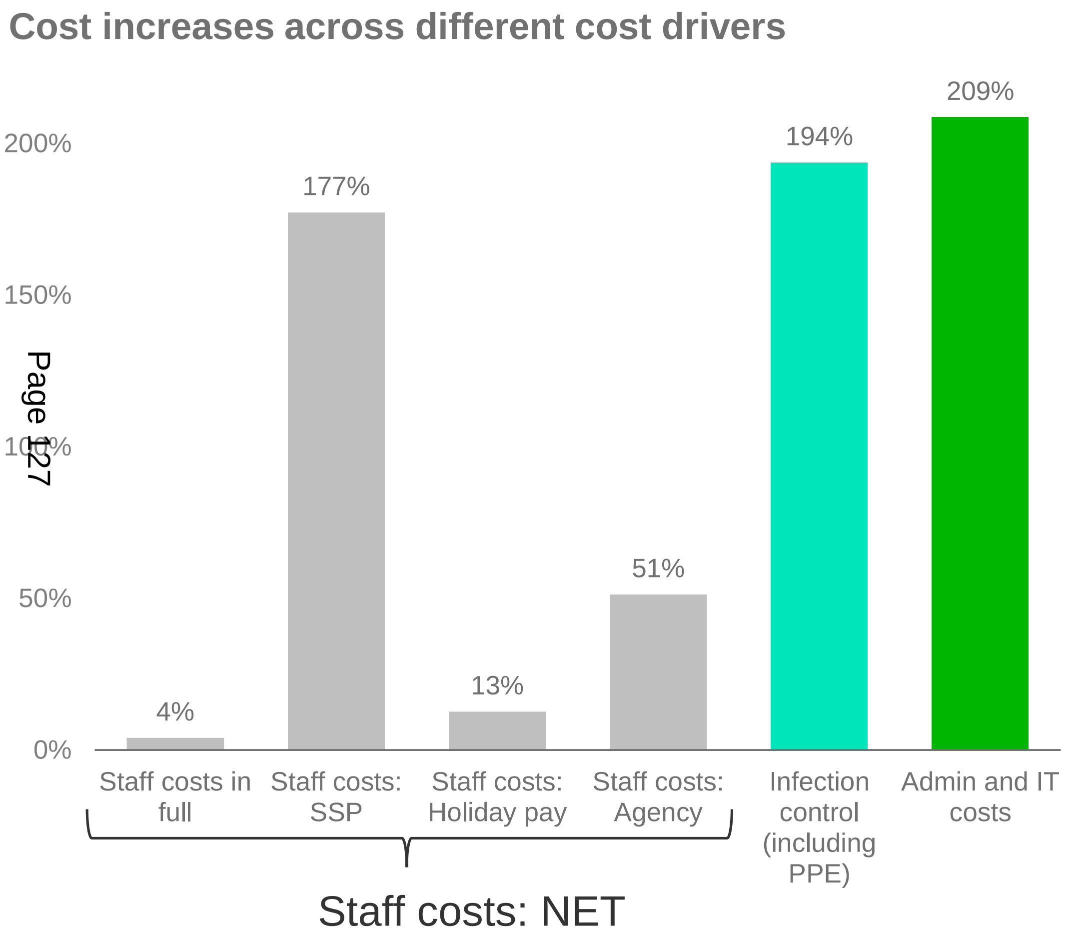
Total costs across all providers



- In **March**, costs increased by **12%**
- Then in **April**, by a further **6%**
- Bringing the total 2 month increase to **18%**

**36 providers gave responses that were at least partially complete and have been used here*

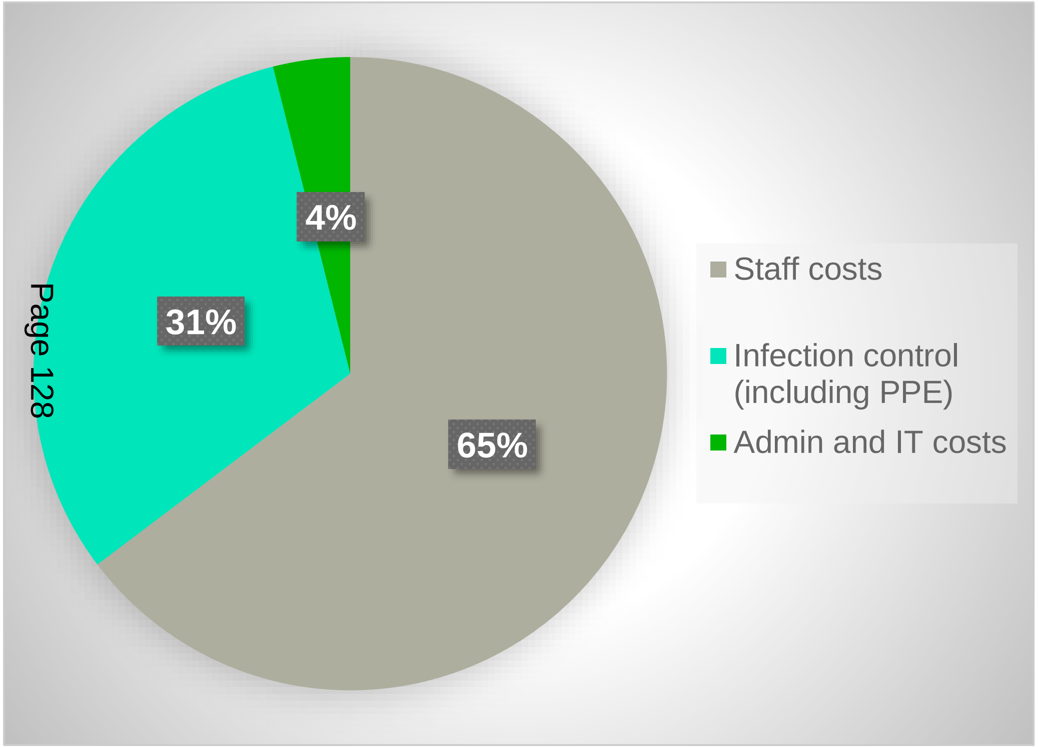
Costs have increased by up to 209% in some areas



- Staff costs have increased considerably across **all areas**
- **Agency pay** is the biggest individual cost driver (due to it's large starting value AND large % increase)

**37 providers gave responses that were at least partially complete and have been used here*

When we factor in the total costs we see a more accurate picture of the real drivers of increased costs



- **Staff costs** and **infection control** costs account for **96%** of the total increase in costs

Note: depending on a provider's business model and size, increased costs in other areas may also have had a large impact e.g. IT & admin costs rising by 209%, in their own right

**37 providers gave responses that were at least partially complete and have been used here*

5
Current financial support

Current financial support is not sufficient and can be difficult to access

59% of providers* said current levels of additional funding **do not cover costs**

Some providers have **not yet received funds** from commissioning bodies (see next slide)

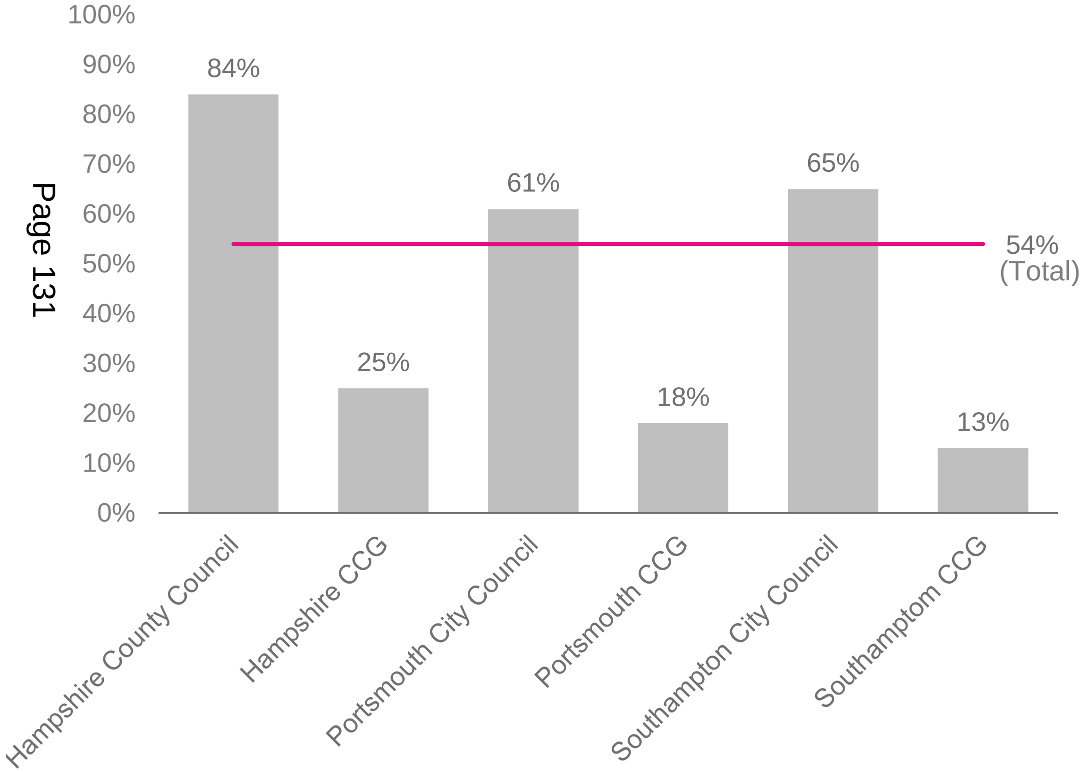
Providers report **missing out on financial support** from local authorities because the criteria don't fit with their business model e.g. providers with high levels of self-funded care, in areas where support has been tied to local authority commissioned care

Several providers report **needing help** to apply for the financial support on offer due to **needing clarity** of what's on offer, what they are eligible for and **how to apply**

**48 providers answered this question. These providers represent 1366 beds and 5323 weekly visits*

Commissioning authorities are not reaching all providers with financial support

Authorities that have provided financial support to providers they commission:



- Overall, providers are receiving support from the authority that has commissioned them **54%** of the time
- There is a **wide variation** in success between different authorities for this metric
- Sample sizes are relatively low, so these results are *indicative* only:

Commissioning authority	Sample size
Hampshire County Council	44
Hampshire CCG	24
Portsmouth City Council	18
Portsmouth CCG	17
Southampton City Council	17
Southampton CCG	8

7
Market stability

Lower occupancy levels

60% of providers report below average occupancy levels

Providers reported many factors contributing to this:

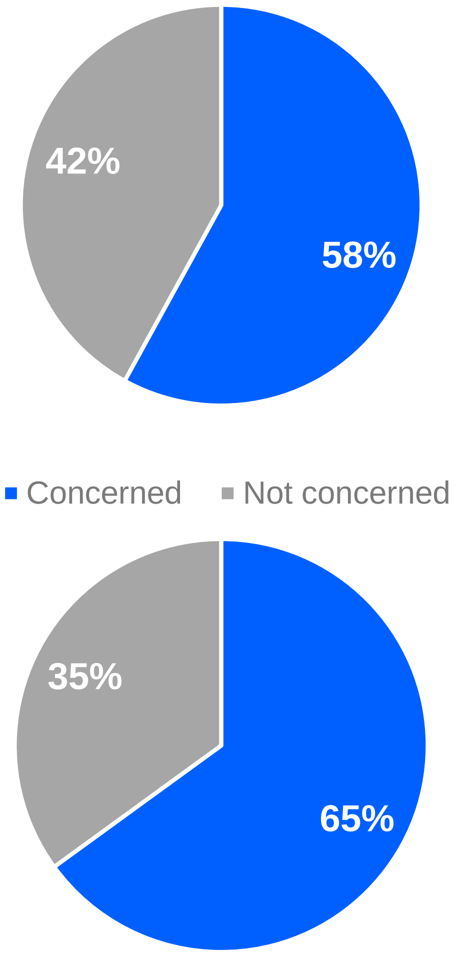
1. Referrals from commissioning bodies have decreased.

2. Lack of confidence in the sector.

3. Fears over safety for current residents, or potential risks of admissions from hospital settings.

4. Deaths within settings.

Concerns around future viability of service and position with lenders are widespread



58% of providers are concerned the current crisis could put them in a **high risk position** with their lender.

65% of providers are concerned that financial strain caused by the **Covid-19** crisis could put the viability of **their service at risk**.

Support from central government is not enough

March 2020:

"Spend what you need to spend and we will reimburse you"

Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government

May 2020:

"We wouldn't want anyone to labour under the false impression that what they are doing is guaranteed to be funded by central government"

Robert Jenrick MP giving evidence to the Housing, Communities and Local Government Committee

Hampshire County Council alone has reported a **£21.6m shortfall** for the initial three month period of the Covid-19 pandemic. It also anticipates further financial challenges will arise after the initial three month period – "not least from **increased demand for services across adults' and children's social care**."

The shift of government policy to one of "sharing the burden" is of great concern to the HCA. Furthermore, the most vulnerable in our society, and the workers who support them, will suffer the most if we don't coordinate our efforts to ensure the government provides the right level of support.

8
Recommendations / look to the future

The HCA will publish a detailed set of recommendations after an initial period of discussion with local authorities and commissioning groups

Managing the additional support process – October 2020 to March 2021

Southampton City Council is working with care providers in the city to ensure the delivery of high quality services continues in the future. We are currently undertaking an exercise to consider the long term responses required to meet the challenges of COVID-19 and to ensure the care market in the city is robust to face future challenges. This work will help care providers to develop their plans to work in the city and to place their service within the broader context of need within the city.

For the immediate future however, we recognise that care providers may be facing financial difficulties. The council has to strike an appropriate balance between its own needs for financial security and its support for the market.

To this end we have put in place a process to help to support providers at this time of uncertainty and of greater financial costs. This support will be subject to criteria ensuring it is targeted only at those in greatest need and to prevent service failure where there is no other mitigation. The council will place each provider and service in its strategic context and consider a range of approaches that may support the provider, and not just a financial response.

There will be a range of requests from providers. Some will be relatively straight forward, but others will require more work to determine the outcomes and recommendations.

Simple requests include support requested by a provider where evidence of additional costs is supplied and straight forward to analyse. In these cases the role of the Commissioner will be to act as an analyst of costs, verifier of the information, including requesting more details where required. This should result in a formal recommendation that the request be supported.

More detailed process for some providers
In other cases however, the request may be more complicated due to:
- few council clients being funded within the service (fewer than 30% of capacity)
- high vacancy levels in the service
- reduced capacity of the provider
- high cost of provision in relation to similar providers
- a question of excessive profits (over 5% of total income)
- other factors requiring more details analysis.

In this case, a full review of the provider and the service provided locally will be undertaken. This will provide in-depth analysis of the provider, their place in the city, options for working with the provider in the future, and alternatives to any financial support requested. Much of the information regarding this review will already be available to the Commissioner, but other information may require more analysis of data.

Criteria
Who can apply?
Care and support agencies providing a service to vulnerable people in the city of Southampton. These will need to be:
- Either in receipt of funding from the city council through a grant, contract or framework

Or
- Providing care services to individuals who are in need of care services but not funded by the city council.

Conditions

The provider is in financial hardship as a result of additional cost pressures due to the COVID-19 pandemic and subsequent regulatory and guidance frameworks. By financial hardship, the provider can evidence sustained financial pressure as a direct result of the COVID-19 outbreaks, and this pressure shows no sign of reducing
And
Failure to provide financial or other support will place the provider at risk of failing, or place the service at risk of closing, where this will place Southampton at risk of losing critical services.

Care providers can request support only for reasonable additional costs incurred as a result of the COVID-19 crisis, which could not have ordinarily been anticipated as part of normal business continuity planning. It is likely these will fall into two main categories - PPE (personal protective equipment) and staffing. If a provider has incurred other additional costs it should submit its case for these alongside the claim.

Requests for support can be made according to the following conditions:

General conditions:
1. These should only be made for additional costs, over and above what could normally have been anticipated as part of business continuity planning, or what might be classed as standard expenditure in order to operate the service.
2. This process does not cover requests for additional care and support that may be required to meet the unmet eligible care and support needs of service users e.g. where the number of hours of care and support have increased for a service user.
3. Requests should include details of other income received to support costs e.g. a Central Government Department scheme, another Local Government scheme, or an NHS or Clinical Commissioning Group scheme.
4. Any request made must be reasonable and evidence based. The Council will carry out financial checks, including through open book account procedures, and reserves the right to undertake retrospective audits. The provider will need to make financial information available to enable this to take place.
5. In any instance where the eventual use of any resource provided cannot be evidenced through expenditure accounts, invoices and receipts, the Council may claw back any payments made as well as considering any further action, as appropriate. Providers must therefore retain all receipts and be able to evidence these in a timely manner when requested.
6. Resources will be prioritised for council clients. Where providers have non-council clients the resource offered may be reduced to account for the greater capacity of non-council clients to fund their own care.
7. The council will consider alternative approaches to supporting providers that do not require direct financial resources. These may include arrangements to secure access to council clients at agreed rates.
8. Any support provided will be time limited.
9. The council will not pay for profit or surplus that a provider may have planned for or be expecting.

Application process

Application received.

An initial screening process will provide basic information on the provider and the request.

Key reasons for requesting support:

- What is the additional support request for:
    - Staff
    - PPE
    - Other equipment
    - Other (to be specified).
- What is the rationale for this request?
- What has changed to prompt a request?
- What steps have been taken to limit these costs?
- How has the additional support from the council to date been utilised?
- What other financial support has been received and how has this been used to date?
- What is the total number of council clients and self-funding clients?

At this stage simple requests for support can result in a recommendation being made, focusing on support for council clients, but ensuring a provider's sustainability is also managed.

Detailed financial work
For providers with below 30% occupancy by SCC clients (care homes) or with high vacancy levels (care homes), or where capacity has reduced significantly recently (home care), or where there is high cost involved with the provision of services a more detailed review is required.

- Using open-book arrangements, determine the provider's current in-year financial position from management accounts and latest balance sheets
    - Consider the position of the specific service and its impact on the wider provider organisation.
- Identify income and expenditure trends over the past 12 months and how those have impacted on the overall financial position.
- Consider actions already taken to reduce any deficit.
- Consider any new actions that may be deployed to help improve the financial situation, this could include if the provider has raised prices to individuals, including the council, to cover increased costs faced.
- Model activity during the next 12 months and the financial position at end of this period.

Commissioning considerations
These considerations will enable a full analysis of the options and approaches available.

Status of provider in the market
- Vacancy levels – current and historical (care homes)
- Access and capacity levels (home care)
- Cost base – charges made for care
- Split of public/private clients

Analysis of market
- Client group served
- Other similar provision available.
- Accessibility of other provision.
- Past demand for services.
- Future expected demand for services.

Potential alternatives to additional payments being made

- Is this mainly a cash-flow problem? What support can be provided to overcome this? If not, then consider:
    - Specific targeting of new clients, if vacancy levels are an issue.
    - Assurance that infection control guidance is being followed appropriately – engage with IPC colleagues.
    - Consider if PPE costs could be lowered by use of alternative supply routes. E.G. could the council purchase and recharge.
    - Consider if staffing costs via use of agencies could be reduced.

If these alternatives still leave the provider in financial difficulty, consider:

- The likelihood the provider will close the service in the city.
- Availability of other providers to meet the needs of clients.
- Issues faced in moving clients if other options are available.
- Long term effect on the market of the loss of the service.

If there is no alternative to financial support

- Consider the most appropriate level of funding required and for how long this may be required.
    - Total cost of support required

Decision and Risk Tool

In order to determine priority for support, and the risks associated with this, the commissioning elements will be measured **no-to very limited benefit** (1) to **key strategic benefit** (4)

The criteria in the tool will be scored to determine the approach to the provider, and what resource - financial, contractual – is required to support the provider.

The risks of not providing support will be built into the model.

We are currently working with Finance colleagues to model the tool and to consider the outcomes from scores and how this feeds into any decisions to support a provider financially.

If financial support is not to be recommended, does this require the commencement of the Provider Failure Protocol?

Recommendations

Provide report on the above status for the Executive Director Wellbeing (Health and Adults) with the recommended course of action.

Additional Funding – Process Map

Application received

STEP 1 – First Criteria check

- Can the provider evidence sustained financial pressure as a direct result of the COVID-19 outbreaks, and this pressure shows no sign of reducing? - Y/N
- Will failure to provide financial or other support place the provider at risk of failing, or place the service at risk of closing? - Y/N
- Is the financial support being requested for reasonable additional costs incurred as a result of COVID-19, which could not have ordinarily been anticipated as part of normal business continuity planning? - Y/N

If any of the above are answered YES proceed to Step 2

Notes - It is likely these will fall into two main categories - PPE (personal protective equipment) and staffing. If a provider has incurred other additional costs it should submit its case for these alongside the claim.

STEP 2 - Conditions check

- Is the application for additional costs, above what could normally have been anticipated as part of business continuity planning, or what might be classed as standard expenditure in order to operate the service? - Y/N
- Does the application include details of other income received to support costs e.g. a Central Govt. Dept. scheme, another Local Government scheme, or an NHS or CCG scheme? - Y/N
- Is the application reasonable and evidence based? - Y/N

If all of the above are answered YES, proceed to Step 3

If NO, advise the applicant that the application is rejected

STEP 3 – Application check –

Does it contain the key reasons for requesting the additional funding?

- What is the additional support request for, e.g. Staff, PPE, Other equipment, Other (to be specified)
- What is the rationale for the request?
- What has changed to prompt the request?
- What steps have been taken by the provider to limit these costs?
- How has the additional support from the council to date been utilised?
- What other financial support has been received and how has this been used to date?

If all are answered, and Commissioner is satisfied this is a standard request, make recommendation (step 7).

If not, and this is an application due to vacancy/capacity issues or high costs are involved proceed to Step 4

If not answered, seek clarification from the applicant

STEP 4 – Commissioners to undertake detailed analysis

- Financial checks
- Status of provider
- Analysis of market

If the analysis is complete and satisfactory, and all alternative options have been explored, then a recommendation for support can be made if deemed suitable

If analysis cannot be completed/results are unsatisfactory, proceed to Step 5

STEP 5 - Consider alternatives to additional payments being made

- Specific targeting of new clients, if vacancy levels are an issue.
- Assurance that infection control guidance is being followed appropriately – engage with IPC colleagues.
- Consider if PPE costs could be lowered by use of alternative supply routes. E.G. could the council purchase and recharge?
- Consider if staffing costs via use of agencies could be reduced.

If the alternatives in Step 5 still leave the provider in financial difficulty, proceed to Step 6

Notes - If there is no alternative to financial support
Consider the most appropriate level of funding required and for how long this may be required.
Total cost of support recommended

STEP 6 – Further analysis and consideration:

- The likelihood the provider will close the service in the city.
- Availability of other providers to meet the needs of clients.
- Issues faced in moving clients if other options are available.
- Long term effect on the market of the loss of the service.

Once Step 6 has been considered, proceed to Step 7

STEP 7 - Recommendation

Provide report on the provider's status for the Executive Director Wellbeing (Health and Adults) including recommendation of the best course of action

Agenda Item 10

DECISION-MAKER:		CABINET		
SUBJECT:		Southampton Tenancy Strategy 2020 – 2025 and Southampton City Council Landlord Tenancy Policy		
DATE OF DECISION:		15 September 2020		
REPORT OF:		Cabinet Member for Culture and Homes		
CONTACT DETAILS				
AUTHOR:	**Name:**	**Felicity Ridgway** **Policy & Strategy Manager**	Tel:	023 8083 3310
	E-mail:	felicity.ridgway@southampton.gov.uk		
Director	**Name:**	**Mary D'Arcy**	Tel:	023 8080 2438
	E-mail:	mary.d'arcy@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY		
N/A		
BRIEF SUMMARY		
The Localism Act 2011 places a duty on local authorities to develop and publish a Tenancy Strategy setting out how social housing in its area is let and how long tenancies should be granted for.		
The associated Landlord Tenancy Policy sets out in more detail how Southampton City Council, as the largest landlord in the city, will manage tenancies within our own housing stock in line with this strategy.		
The Localism Act 2011 states that "A local housing authority must keep its tenancy strategy under review, and may modify or replace it from time to time". Since the publication of the previous strategy a range of new relevant legislation has been introduced and the local strategy and linked policy have therefore been reviewed and revised.		
RECOMMENDATIONS:		
	(i)	To approve and adopt the Southampton Tenancy Strategy 2020 – 2025.
	(ii)	Subject to the approval of recommendation (i), to approve and adopt the Southampton City Council Landlord Tenancy Policy.
REASONS FOR REPORT RECOMMENDATIONS		
1.	The Localism Act 2011 requires the council to publish a Tenancy Strategy, keep the strategy under review and modify the strategy as required.	
2.	It is important for Southampton City Council to provide a clear strategy which sets out how social housing should be managed in the local area.	
3.	As the largest social landlord in the city, it is important for Southampton City Council to also demonstrate how we will manage tenancies and ensure a clear policy is in place which is aligned to the Tenancy Strategy.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		

	To not review the Tenancy Strategy and Landlord Tenancy Policy. This option was rejected because the current strategy has not been updated since 2013.
DETAIL (Including consultation carried out)	
4.	The Localism Act places a duty on local authorities to develop and publish a strategy (“Tenancy Strategy”) setting out how social housing in its district is let and how long tenancies should be granted for. Southampton’s existing Tenancy Strategy was published in 2013 and therefore requires updating, to reflect latest legislation and local processes.
5.	The Tenancy Strategy reflects Southampton City Council’s role both as a strategic leader for the city, demonstrating how we expect Registered Providers to work with the council to deliver social housing for our residents, and as a major landlord with around 16,000 council tenancies in the city. The Tenancy Strategy is supported by the Southampton City Council Landlord Tenancy Policy which confirms how the council will respond to the Tenancy Strategy as a landlord. The strategy sets out a clear framework for housing providers to manage stock in line with social obligations and regulatory requirements to support our tenants and help to build successful, stable neighbourhoods and communities.
6.	The draft updated Tenancy Strategy has been carefully reviewed, and the following amendments are recommended: • The purpose and aims have been updated to clarify the aims of the strategy, reflecting the Southampton Housing Strategy 2015 – 2025. • The legal context has been added to reflect relevant legislation. • The tenancy types have been updated to reflect all options available to registered providers that are supported within the city, and the minimum recommended tenancy length revised in line with legislation. • The strategy has been updated to provide additional information on affordable rent and alternative rent models.
7.	The amendments to the strategy ensure that the document is up to date, and reflects local practice and all new relevant legislation. Changes have been made to ensure that the document is easier to understand than previous versions, and provides the relevant information for tenants and Registered Providers. The changes do not reflect a change to policy, processes or practice and will not change any existing tenancies.
8.	The draft updated Tenancy Strategy was shared with Registered Providers operating within the city in August 2020 and providers were invited to comment on the proposed amendments. No providers raised any concerns about the Strategy. Positive responses were received by three providers: • “The Strategy looks strong and is simple to understand and provides the most secure tenancy for applicants in the City”. • “There are no concerns to be raised…. The new strategy complements our own tenancy strategy”. • “we have no additional comments to what is a well written document”.
	Tenancies
9.	As in the 2013 strategy, Southampton City Council will continue to use mainly secure, lifetime tenancies. As a council, we believe that the stability of a

	lifetime tenancy will provide the best environment for families to thrive and become part of a sustainable community, benefiting our city as a whole. The strategy encourages other Registered Providers also to use the most secure form of tenancy available to them wherever possible in order to create settled homes for families to live in.
10.	The 2018 'New Deal for Social Housing' Green Paper confirmed that the government were not planning to implement the provisions in the Housing and Planning Act 2016 to end lifetime tenancies at this time. The Green paper recognised a "growing recognition of the importance of housing stability" and noted that feedback from residents said that lifetime tenancies created "strong, supportive communities and particularly enabled people with vulnerabilities to thrive. Some felt that residents were more likely to look after their property, their neighbours, and the community if they had a lifetime tenancy".
11.	The draft updated strategy outlines the types of tenancies that Southampton City Council will use and sets out our expectations for how the following tenancy options should be used by Registered Providers operating in the city: • Introductory/probationary/starter tenancies • Secure/Assured tenancies (Lifetime Tenancies) • Secure Flexible tenancies (fixed term tenancies) • Assured Shorthold tenancies (fixed term tenancies) • Shared ownership tenancies • Other tenancy types as allowed by law
12.	It is important to protect the tenure rights of victims of domestic abuse. Therefore, the draft updated strategy encourages Registered Providers to ensure that, when re-housing a tenant with an existing secure tenure who needs to move, or who has recently moved from their social home to escape domestic abuse, an equivalent tenancy is granted for their new home.
13.	In line with the Localism Act 2011, the updated draft strategy advises that where fixed term tenancies are used the tenancy must be granted for a minimum of two years.
	Affordable Rent and other affordable housing options
14.	Under the Affordable Rent model, registered providers can offer tenancies at rents of 'up to' 80% of market rate levels in a local area (inclusive of service charges). Affordable Rent is designed to maximise the delivery of new affordable housing by making the best possible use of public subsidy and the existing social housing stock, due to greater rent collection. The extra money raised from affordable rent tenants should then be invested back into building more social homes.
15.	The 2013 Tenancy Strategy stated: "We see alternative rent models as possible tools to protect community stability and to encourage tenants to improve their situation. We support the use of affordable rents and shared ownership options and see a valuable role for these as social housing options to help create balanced communities and meet housing need. We will expect providers to consider the level at which local housing allowances are set when deciding their rent policy for affordable rent tenancies."

16.	The draft updated strategy reaffirms that Southampton City Council encourages Social Rent as a default position, but the council will also make use of Affordable Rent and other Affordable Housing options including Shared Ownership to ensure that housing applicants and existing social housing tenants have access to a wider range of models and tenures to meet a range of needs.
17.	Analysis has been undertaken to understand what proportion of our tenants would be able to afford Affordable Rent at 80% market rates. Around 41% of our tenants are on Housing Benefit, which will cover the costs of an Affordable Rent property. Tenants in receipt of Universal Credit will be paid a housing element aligned with Local Housing Allowance.
18.	In Southampton, Local Housing Allowance is above 80% of average market rent for all but four bedroom properties:

Description	One bedroom	Two bedrooms	Three bedrooms	Four bedrooms
Market rent	**£162.50**	**£200.00**	**£262.50**	**£346.75**
Affordable rent (80% market)	**£130.00**	**£160.00**	**£210.00**	**£277.40**
Social rent	**£92**	**£97**	**£111**	**£118**
LHA	**£136.93**	**£178.36**	**£212.88**	**£276.16**

19.	Some tenants will not be in receipt of Housing Benefit or Universal Credit. Local information is not available on the number of tenants whose financial circumstances have changed during the lifetime their tenancies, as the council does not routinely collect income data during a lifetime tenancy. National data collected to support the development of the Housing and Planning Act 2016 indicated that across the UK nationally there are approximately 350,000 social rented tenants with household incomes over £30,000 per annum, representing around 9% of tenants.
20.	Analysis therefore indicates that with 41% tenants in receipt of Housing Benefit, around 10% potentially having a household income of over £30,000 per annum (if national data is assumed to apply to Southampton) per annum and an unknown % in receipt of a Universal Credit housing allowance in line with Local Housing Allowance, a significant proportion of tenants in Southampton could potentially afford to live in properties let under Affordable Rent terms. The draft updated Tenancy Strategy therefore continues to support the use of Affordable Rent as an alternative to the default Social Rent after careful consideration, on a scheme by scheme basis, of the impact on the Housing Register as well as Local housing Allowance rates and affordability. The use and numbers of Affordable Rent and shared ownership properties should be made in alignment with the council's Local Plan.
	Southampton City Council Landlord Tenancy Policy
21.	The draft updated Landlord Tenancy Policy sets out Southampton City Council's approach to granting and managing tenancies within its own housing stock. The policy has been reviewed and updated to ensure alignment with the proposed amendments to the Tenancy Strategy 2020 – 2025. The following amendments to the previous policy are proposed:

	• The previous policy included a large amount of contextual demographic data within the policy. This information has been removed as it was no longer correct and the most up to date data on city demographics can now be access at data.southampton.gov.uk • The legal context has been added to reflect relevant legislation. • A full list of tenancies types which are used by the council has been included to ensure clarity for tenants and applicants. • The policy has been updated to align with the draft updated Tenancy Strategy 2020-2025 in relation to the use of Affordable Rent and other types of affordable housing. • The policy includes additional information on tenancy management and sustainment, having regard for the Homelessness Prevention Strategy 2018-2023. • The policy information about how to complain or appeal a decision has been updated to align with the council's agreed complaints policy.
22.	These changes ensure that the policy is up to date, in line with latest legislation, and reflects the updated draft Tenancy Strategy. These amendments will not change the terms of any tenancy agreements and therefore will not have impacts on existing tenancies.
RESOURCE IMPLICATIONS	
Capital/Revenue	
23.	The proposed changes to the Tenancy Strategy and Landlord Tenancy Policy are not expected to have financial implications in themselves. The policy and strategy will be applied to future decisions regarding housing on a case by case basis, for example in relation to identifying appropriate tenancy types or rent models for a housing scheme.
24.	The Tenancy Strategy and Landlord Tenancy Policy include a range of options for tenancies and sets out how and when these can be used appropriately. Where alternatives to the default social rent position are being considered, the council will consider the financial viability of a scheme alongside the affordability of the proposed tenancy and impact on the housing register.
Property/Other	
25.	The delivery of the updated policy will have a direct impact on the council's management of its housing stock. However, the proposed amendments in this update do not represent any fundamental changes to existing processes and therefore will not result in changes to the way that property is current managed by Southampton City Council.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
26.	Localism Act 2011 (s150) 1. A local housing authority in England must prepare and publish a strategy (a "tenancy strategy") setting out the matters to which the registered providers of social housing for its district are to have regard in formulating policies relating to−

	(a) the kinds of tenancies they grant, (b) the circumstances in which they will grant a tenancy of a particular kind, (c) where they grant tenancies for a term certain, the lengths of the terms, and (d) the circumstances in which they will grant a further tenancy on the coming to an end of an existing tenancy. 2. The tenancy strategy must summarise those policies or explain where they may be found. 3. A local housing authority must have regard to its tenancy strategy in exercising its housing management functions. 4. A local housing authority must publish its tenancy strategy before the end of the period of 12 months beginning with the day on which this section comes into force. 5. A local housing authority must keep its tenancy strategy under review, and may modify or replace it from time to time. 6. If a local housing authority modifies its tenancy strategy, it must publish the modifications or the strategy as modified (as it considers appropriate).
<u>Other Legal Implications</u>:	
27.	Localism Act 2011 (s151) states that before adopting a tenancy strategy, or making a modification to it reflecting a major change of policy, the authority must send a copy of the draft strategy to every private registered provider of social housing for its district, and give the private registered provider a reasonable opportunity to comment on those proposals.
28.	The draft strategy was sent to all Registered Providers operating in the city in August 2020 and comments were received from three providers in support of the document.
RISK MANAGEMENT IMPLICATIONS	
29.	The updating of the policy in line with legislation reduces potential risks to the council of having an outdated policy in place in relation to the management of tenancies.
POLICY FRAMEWORK IMPLICATIONS	
30.	The proposed updates to the Tenancy Strategy and Landlord Tenancy Policy will support the council's vision of Southampton as a city of opportunity, and ambition to be a greener, fairer, healthier city as set out in the Corporate Plan 2020-2025.
31.	We are focused on helping communities develop into thriving neighbourhoods that reflect Southampton as a vibrant and diverse city. Our aim is to build a safe, inclusive and friendly environment, where everyone can access the opportunities the city has to offer. The Tenancy Strategy supports this aim, providing a range of tenancy options to support social housing tenants in our communities.

KEY DECISION?	**Yes**
WARDS/COMMUNITIES AFFECTED:	ALL
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	

1.	Draft Tenancy Strategy 2020-2025
2.	Draft Landlord Tenancy Policy
3.	Equality and Safety Impact Assessment

Documents In Members' Rooms

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

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Southampton City Council

Tenancy Strategy 2020 – 2025

SOUTHAMPTON
CITY COUNCIL

Southampton City Council
Tenancy Strategy
2020 - 2025

Contents

	Enter Version Number Here		Click here to enter text.
	Click here to enter text.		Click here to enter a date.
	Click here to enter text.		Click here to enter a date.

1. Purpose and aims

1.1. The aim of this strategy is to set out Southampton's vision for the way Registered Providers of social housing in the city will let their properties to meet the needs of the city's residents. Southampton City Council is also a provider of social housing so this strategy also applies to the council, and the Landlord Tenancy Policy links to this document and sets out how the council has regard to the strategy in exercising its housing management functions.

1.2. Tenancy Strategy relates to lettings of all social and affordable rented properties to include adapted, sheltered and extra-care housing. It does not cover lettings to hostels, temporary accommodation or other forms of supported housing and does not apply to leasehold tenants.

1.3. The objectives of this strategy and the provision of affordable and social housing in Southampton are:

- To use the city's social and affordable housing stock to its best effect to meet the needs of local residents.
- To maximise the opportunity for Southampton residents to access a range of housing options suitable for their needs.
- To support and sustain tenancies, and avoid homelessness wherever possible.

1.4. Housing is about more than bricks and mortar. Housing helps to define neighbourhoods and communities, supports the health and wellbeing of residents, and provides a foundation for individuals and families to achieve a high quality of life.

1.5. We recognise that there is far more demand for social housing than current supply can meet and that social housing providers in the city will look to a range of housing options in response to this. We will support measures to tackle tenancy fraud and to introduce innovative arrangements which make best use of scarce resources. We also encourage our housing partners, wherever possible, to provide accommodation which is both stable and secure and contributes to creating sustainable communities.

2. Legal context

2.1. The Localism Act 2011 places duties on local authorities to develop and publish a strategy ("Tenancy Strategy") setting out how social housing in its area is let and managed including:

- the kinds of tenancies they grant,
- the circumstances in which they will grant a tenancy of a particular kind,
- where they grant tenancies for a term certain, the lengths of the terms, and;
- the circumstances in which they will grant a further tenancy on the coming to an end of an existing tenancy.

2.2. In developing this policy the relevant legislation and codes of guidance have been considered, in particular:

- Housing Act 1985
- The Housing Act 1996
- Homelessness Act 2002
- Housing Act 2004
- Allocation of Housing and Homelessness (eligibility) (England) Regulations 2006 (as amended)

- Regulations made by the Secretary of State sets out persons who may be eligible despite being a person from abroad subject to immigration control
- Localism Act 2011 (as amended)
- The Housing and Planning Act 2016
- The Homelessness Reduction Act 2017
- The Homes (Fitness for Human Habitation) Act 2018
- The Housing (Assessment of Accommodation Needs) (Meaning of Gypsies and Travellers) (England) Regulations 2006 (Statutory Instrument: 2006 No. 3190)
- The Equality Act 2010
- Human Rights Act 1998
- Housing & Regeneration Act 2008
- Secure Tenancies (Victims of Domestic Abuse) Act 2018

2.3. This Tenancy Strategy complements Southampton's Housing and Homelessness Reduction Strategies. The council will have due regard for this strategy in the development and application of its housing policies, including but not limited to the following:

- Landlord Tenancy Policy (appendix A in this document)
- Allocations Policy (Lettings)
- Homelessness Prevention Strategy
- Housing Strategy

3. Tenancy types

3.1. Tenancy types will vary depending on whether the landlord is the council, a registered Provider or a landlord within the private rented sector. Tenancy types include:

- Introductory/probationary/starter tenancies
- Secure/Assured tenancies (Lifetime Tenancies)
- Secure Flexible tenancies (fixed term tenancies)
- Assured Shorthold tenancies (fixed term tenancies)
- Shared ownership tenancies
- Other tenancy types as allowed by law

3.2. As a social landlord, Southampton City Council will continue to use mainly secure, lifetime tenancies. We consider that these will provide the best environment for families to thrive and become part of a sustainable community. We encourage other Registered Providers also to use the most secure form of tenancy available to them wherever possible in order to create settled homes for families to live in. However, we do recognise that in some special circumstances the use of fixed term (flexible) tenancies might be appropriate.

3.3. The council will use Introductory Tenancies to new tenants moving into social housing for the first time. Following this, it is expected that the vast majority of tenants will become secure tenants. Where a tenancy is not managed properly by the tenant during the introductory period the council may seek to end it during that term or to extend the period of the introductory tenancy. Other Registered Providers may also consider using Introductory or 'Starter' Tenancies in this way, in order to deliver a consistent approach across the city.

3.4. We support the use of fixed term tenancies in 'special' circumstances such as (but not exclusive to) regeneration schemes, special family arrangements and short term arrangements to make best use of available properties and meet the needs of residents. We will undertake periodic reviews of fixed term tenancies, at which we will provide information and advice about housing options and help tenants to plan ahead for the end of their tenancy term.

3.5. Occasionally, the council or Registered Providers may decide to implement a Special Lettings Scheme. This is most frequently done when a newly built or refurbished scheme is being let but can happen at any time if the landlord deems it necessary in order to make sure that the scheme operates effectively as a good place to live.

3.6. Special Lettings may also apply to individual properties where there have been significant management problems previously. In this case the landlord may choose to make a "sensitive letting" by imposing additional qualifying criteria for applicants to make sure that similar problems do not arise through the re-letting of the property.

3.7. It is important to protect the tenure rights of victims of domestic abuse. Registered Providers should act in line with current legislation in relation to accommodating victims of domestic abuse and ensure that, when re-housing a tenant with an existing secure tenure who needs to move, or has recently moved from their social home to escape domestic abuse, an equivalent tenancy is granted for their new home. This will ensure that victims will not fear losing security of tenure and will provide stability and security in their new home. Southampton City Council already operates in this way and Registered Providers are encouraged to review and amend their existing policies and procedures to incorporate this requirement.

4. Tenancy length

4.1. As a social landlord, Southampton City Council will continue to use mainly secure, lifetime tenancies and we encourage Registered Providers to use the most secure form of tenancy available to them wherever possible in order to create settled homes for families to live in.

4.2. Where fixed term tenancies are used the tenancy must be granted for a minimum of two years. The choice of tenancy term should be based on both individual needs and the characteristics of particular housing schemes. For example, we would expect Registered Providers to take into account needs such as consistency of schooling, employment, training, regeneration, family stability and community sustainability. Southampton City Council encourages Registered Providers to offer security of tenure for longer than two years.

5. Fixed Term tenancies

5.1. Southampton City Council will make use of fixed term tenancies in certain circumstances as detailed in the Southampton City Council Landlord Tenancy Policy and registered Providers may choose to offer this type of tenancy.

5.2. The majority of fixed term tenancies should be renewed by Registered Providers at review stage/end of the initial agreement period. Where fixed term tenancies are used, Registered Providers are encouraged consider housing need when deciding whether to review a tenancy. Similarly, we would expect them to consider using criteria intended to increase their ability to make best use of stock.

6. Affordable Rent and other affordable housing options

6.1. The council encourages Registered Providers and developers to consider a range of affordable housing options including Affordable Rent and shared ownership.

6.2. Affordable Housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision'.

6.3. Affordable Housing includes properties let under the 'Affordable Rent' model, at up to 80% of market rent. Southampton City Council will ensure that Homes England processes are complied with when building new affordable homes, and will expect any Registered Provider offering Affordable Rent properties in the city to comply with relevant guidance and legislation.

6.4. Southampton City Council encourages Social Rent as a default position, but will also make use of Affordable Rent and other Affordable Housing options including Shared Ownership to ensure that housing applicants and existing social housing tenants have access to a wider range of models and tenures to meet a range of needs.

6.5. The council will only make use of Affordable Rent as an alternative to the default Social Rent after careful consideration, on a scheme by scheme basis, of the impact on the Housing Register as well as Local housing Allowance rates and affordability. The council will expect Registered Providers developing schemes using Affordable Rent in the city to demonstrate similar consideration of the affordability of the homes in that scheme for local residents.

6.6. The use and numbers of Affordable Rent and shared ownership properties should be made in alignment with the council's Local Plan.

7. The Housing Register

7.1. Southampton City Council will retain a single housing list combining both transfer and housing register applicants. This extends to partner registered providers so that the letting of all social housing in the city is used consistently to best effect to meet housing need and avoids the necessity for individuals to make multiple applications.

7.2. In order to maximise the availability of social housing for housing register applicants, we will continue to utilise existing nomination arrangements with registered providers in the city, being mindful of the need for homes to be let in a timely manner.

8. Further information

8.1. More information about policies and procedures is available on the councils website at https://www.southampton.gov.uk/

9. Governance

9.1. This document will be reviewed after 5 years, or more frequently as required by changes to local need and/ or national legislation.

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Agenda Item 10

Appendix 2

Southampton City Council

Landlord Tenancy Policy

SOUTHAMPTON CITY COUNCIL

Southampton City Council
Landlord Tenancy Policy

Contents

[Title]			
Version	Enter Version Number Here	**Approved by**	Insert body /committee with final approval
Date last amended	Click here to enter a date.	**Approval date**	Click here to enter a date.
Lead officer	Insert name and title of author	**Review date**	Click here to enter a date.
Contact	Insert email address for lead officer or team	**Effective date**	Click here to enter a date.

1. Introduction

1.1. The Landlord Tenancy Policy sets out Southampton City Council's approach to granting and managing tenancies within its own housing stock. The policy has been drafted in the light of the Tenancy Strategy 2020 - 2025 which sets out the city council's vision in relation to tenancies for all social housing in the city.

2. Legal context

2.1. In developing this policy the relevant legislation and codes of guidance have been considered, in particular:
- Housing Act 1985
- The Housing Act 1996
- Homelessness Act 2002
- Housing Act 2004
- Allocation of Housing and Homelessness (eligibility) (England) Regulations 2006 (as amended)
- Regulations made by the Secretary of State sets out persons who may be eligible despite being a person from abroad subject to immigration control
- Localism Act 2011 (as amended)
- The Housing and Planning Act 2016
- The Homelessness Reduction Act 2017
- The Homes (Fitness for Human Habitation) Act 2018
- The Housing (Assessment of Accommodation Needs) (Meaning of Gypsies and Travellers) (England) Regulations 2006 (Statutory Instrument: 2006 No. 3190)
- The Equality Act 2010
- Human Rights Act 1998
- Housing & Regeneration Act 2008
- Secure Tenancies (Victims of Domestic Abuse) Act 2018

3. Tenancies

Secure Tenancy

3.1. Southampton City Council will continue to use mainly secure tenancies for tenants. A secure tenancy gives additional rights to the tenant and usually allows them to live in the property for the rest of their life, so long as they do not break the conditions of the tenancy. The council will generally offer a secure tenancy on successful completion of the introductory period (below).

Introductory Tenancy

3.2. An introductory tenancy is a trial tenancy. The council will offer Introductory Tenancies of one year to new tenants moving into social housing for the first time. Where the council offers a tenancy to an applicant who is not already a secure or assured tenant, it will always offer an introductory tenancy. Following this, the vast majority of tenants will be granted secure tenancies. Where a tenancy is not managed properly during the introductory period the council may seek to end it during that term or to extend the period of the introductory tenancy.

3.3. Where an applicant is already a secure or assured tenant then the council will grant the equivalent degree of security to them, such as a secure tenancy, unless the tenant refuses or requests a different type of tenancy.

3.4. Where needs are identified, the council will attempt to provide or facilitate appropriate support to help tenants maintain their Introductory Tenancy.

Flexible (Fixed Term) Tenancy

3.5. Southampton City Council will retain the option to use flexible (fixed term) tenancies and the terms of this tenancy will be set out in the tenancy agreement. The Head of Stronger Communities, Neighbourhoods and Housing has discretion to offer flexible tenancies where individual circumstances warrant that offer and the council's overall policy objectives support that approach.

3.6. Flexible or ‘fixed term’ tenancies can be granted for a minimum period of two years or more as an alternative to ‘lifetime’ secure tenancies. Flexible tenancies are intended to grant a tenancy for as long as someone is assessed as needing it, rather than being offered a home for life.

3.7. Flexible Tenancies may also be used in the case of properties which could be made available for a short term period (subject to the two year minimum). This is most likely to be the case where properties are vacated prior to the commencement of a regeneration scheme. In this situation, the use of flexible tenancies will enable the authority to provide additional short term housing opportunities rather than leave properties vacancy, whilst not creating longer term housing obligations which would compromise the overall scheme. Alternatively the Council may agree to place a homeless applicant in the property to be regenerated by a non-secure tenancy for less than a year in length.

3.8. The majority of fixed term tenancies will be renewed at review stage unless the household’s circumstances have altered significantly, or the circumstances of the scheme (for example, a special letting scheme) prevent renewal.

3.9. In the case of Flexible Tenancies granted to facilitate short life use of properties in regeneration areas, these will be renewed only if there are unforeseen circumstances which significantly extend the time during which the property is likely to vacant prior to regeneration works and if a further award of tenancy will not compromise the viability of the scheme.

Special Lettings Schemes

3.10. The council will retain the right to make use of Special Lettings Schemes. Special lettings schemes and sensitive lettings will only be made where they do not compromise the council’s ability to achieve its overall policy aims. Where a Special Lettings Scheme is deemed necessary the additional eligibility criteria will be listed in the Homebid property advertisement.

Kanes Hill Caravan Site

3.11. Pitches at the Kanes Hill Caravan Site will be allocated under the councils Gypsy and Traveller Site Allocation Policy.

Victims of Domestic Abuse

3.12. The council will operate in line with current legislation in relation to accommodating victims of domestic abuse and ensure that, when re-housing an existing lifetime tenant who needs to move, or has recently moved from their social home to escape domestic abuse, a lifetime tenancy is to be granted for their new home. This will ensure that the victims will not fear losing security of tenure and will provide their families stability and security in their new home.

4. Other types of affordable housing

Affordable Rent

4.1. Southampton City Council encourages Social Rent as a default position, but will also make use of Affordable Rent to ensure that housing applicants and existing social housing tenants have access to a wider range of tenures to meet a range of needs. Properties let under the Affordable Rent model can be let at up to 80% of market rent.

4.2. The council will only make use of Affordable Rent as an alternative to the default Social Rent after careful consideration, on a scheme by scheme basis, of the impact on the Housing Register as well as Local housing Allowance rates and affordability.

4.3. The council will ensure that any homes developed as part of affordable rent schemes are development in line with the Rent Standard Guidance 2015 and/or any subsequent legislation and guidance and in alignment with Homes England terms and guidance where applicable.

4.4. The rent amount will be calculated in line with the Rent Standard Guidance, at no more than 80% of market value and no less than the formula rent amount. The 80% market rent maximum includes service charges.

4.5. The use and numbers of Affordable Rent properties will be made in alignment with the council's Local Plan.

Shared Ownership

4.6. Southampton City Council offer shared ownership on new properties built by the council to provide a broader housing offer to local people and to have a more diverse housing portfolio.

4.7. The council will consider the number of homes to be made available as Shared Ownership properties on a scheme by scheme basis.

4.8. The terms of the shared ownership will be set out in the lease agreement and schemes will be delivered in line with relevant legislation and guidance.

4.9. The use and numbers of Shared Ownership properties will be made in alignment with the council's Local Plan.

5. Tenancy management and sustainment

5.1. Southampton City Council recognises that social housing is a valuable public resource and as such will take decisive action to deal with instances of tenancy fraud and anti-social behaviour. The council will also manage tenants and their requests for tenancy changes, mutual exchanges, and the Right to Buy with the aim of managing any impact of changes on the local community.

5.2. Mutual exchanges will be supported by the council where appropriate, unless there are reasonable grounds to refuse the exchange and/or statutory grounds for refusal as set out in the Housing and Planning Act 1985 (Schedule 3).

5.3. Southampton City Council will continue to offer support to tenants where appropriate in order to help sustain their tenancy. The council recognises the council's role in supporting vulnerable households to sustain their tenancy and will always seek to balance the interests of individual residents with the needs of the wider neighbourhood, community and Housing Revenue Account.

6. Tenancy end and succession

6.1. Details of how a tenant can end their tenancy are set out in the Tenancy Agreement. This may vary depending on the type of tenancy.

6.2. For tenancies granted prior to 1 April 2012 (where there has been no previous succession) succession rights will continue as under the Housing Act 1985, before amended by the Localism Act 2011. Therefore, a person may be able to succeed to the tenancy if they are living in the property as their only or principal home at the time of the tenant's death and they are either:

- The tenant's spouse or civil partner, or
- Another member of the tenant's family who has lived with the tenant throughout the period of twelve months ending with the tenant's death.

6.3. For tenancies granted on or after 1 April 2012 the only person entitled to succeed to a tenancy is the spouse, partner or civil partner. This reflects the changes made by the Localism Act 2011.

6.4. Southampton City Council will retain the discretion, following the death of the tenant, to offer a new tenancy of the same property, or an alternative property, to a family member left in occupation. When deciding whether to offer a new tenancy the council will take account of the individual circumstances of the case as well as the need to make good use of the housing stock and to meet overall housing demand.

7. Complaints, appeals and reviews

7.1. Complaints will be managed in accordance with Southampton City Council's normal complaints policies and processes.

7.2. Statutory reviews and appeals will be managed in line with the rights of appeal as detailed in the Housing Act 1985 and other relevant legislation and guidance.

8. Further information

8.1. More information about housing policies and procedures is available on the council's website at https://www.southampton.gov.uk/

9. Governance

9.1. This document will be reviewed after 5 years, or more frequently as required by changes to local need and/ or national legislation.

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Appendix 3

Equality and Safety Impact Assessment

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

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

<table>
<tr><td>Name or Brief Description of Proposal</td><td>Southampton City Council Tenancy Strategy 2020-2025 and Landlord Tenancy Policy</td></tr>
<tr><td colspan="2">Brief Service Profile (including number of customers)</td></tr>
<tr><td colspan="2">The aim of the Tenancy Strategy is to set out Southampton's vision for the way Registered Providers of social housing in the city will let their properties to meet the needs of the city's residents. Southampton City Council is also a provider of social housing so this strategy also applies to the council, and the Landlord Tenancy Policy links to this document and sets out how the council has regard to the strategy in exercising its housing management functions.

The objectives of the Tenancy Strategy and the provision of affordable and social housing in Southampton are:
To use the city's social and affordable housing stock to its best effect to meet the needs of local residents.
To maximise the opportunity for Southampton residents to access a range of housing options suitable for their needs.
To support and sustain tenancies, and avoid homelessness wherever possible.
Southampton City Council has around 16,000 council tenancies. The 2011 Census shows that 23% of people in the city live in socially rented properties (council or Registered Providers).</td></tr>
<tr><td colspan="2">Summary of Impact and Issues</td></tr>
<tr><td colspan="2">The amendments to the strategy ensure that the document is up to date, and reflects local practice and all new relevant legislation. Changes have been made to ensure that the document is easier to understand than previous versions, and provides the relevant information for tenants and Registered Providers. The changes do not reflect a change to policy, processes or practice and will not change any existing tenancies.</td></tr>
</table>

The Strategy and Policy confirm that Southampton City Council will continue to use mainly secure, lifetime tenancies and we encourage other providers to use the most secure form of tenancies available to then wherever possible in order to create settled homes for families to live in. The Strategy and Policy outline a range of other tenancy options including: • Introductory/probationary/starter tenancies • Secure/Assured tenancies (Lifetime Tenancies) • Secure Flexible tenancies (fixed term tenancies) • Assured Shorthold tenancies (fixed term tenancies) • Shared ownership tenancies • Other tenancy types as allowed by law The Strategy and Policy also reaffirm that Southampton City Council encourages Social Rent as a default position, but the council will also make use of Affordable Rent and other Affordable Housing options including Shared Ownership to ensure that housing applicants and existing social housing tenants have access to a wider range of models and tenures to meet a range of needs.
Potential Positive Impacts
The draft updated Strategy and Policy do not reflect a change to policy, processes or practice and will not change any existing tenancies. The documents have been reviewed and updated to ensure that they provide a clear strategic leadership position on Tenancies in the city, making the information easier to access and understand by providers and tenants. The continued use of secure, lifetime tenancies as the preferred tenancy option will provide stability for families, and provide the best environment for families to thrive and become part of a sustainable community, benefiting our city as a whole. The updates have included a new focus on supporting victims of Domestic Violence, and the Tenancy Strategy now actively encourages Registered Providers to ensure that, when re-housing a tenant with an existing secure tenure who needs to move, or who has recently moved from their social home to escape domestic abuse, an equivalent tenancy is granted for their new home. The continued use of Affordable Rent on a scheme by scheme basis will support the council and Registered Providers to maximise the delivery of new affordable homes. Careful analysis has been undertaken as part of the strategy review to ensure that Affordable Rent is affordable for a proportion of Southampton tenants.

Responsible Service Manager	Felicity Ridgway, Policy & Strategy Manager
Date	21 August 2020
Approved by Senior Manager	Mary D'Arcy, Executive Director: Communities, Culture and Homes
Date	

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	The Tenancy Strategy sets out a range of options for different types of tenancies. The use of different tenancies will be considered on a scheme by scheme basis, or case by case basis taking into account factors including whether the tenant is new (introductory), whether the property may only available for a short-term period, and other contributory factors. Properties may be tailored to the needs of individuals with certain protected characteristics (eg age or disability) and this is addressed in the Allocations Policy. However, these adaptations or tailoring to need are not be a factor in assessing the type of tenancy.	N/A
Disability		N/A
Gender Reassignment		N/A
Marriage and Civil Partnership		N/A
Pregnancy and Maternity		N/A
Race		N/A
Religion or Belief		N/A
Sex		N/A
Sexual Orientation		N/A
Community Safety	Southampton City Council will continue to use mainly secure, lifetime tenancies. As a council, we believe that the stability of a lifetime tenancy will provide the best environment for families to thrive and become part of a sustainable community, benefiting our city as a whole. The strategy encourages other Registered Providers also to use the most secure form of tenancy available to them wherever possible in order to create settled homes for families to live in.	N/A
Poverty	As part of the strategy review, the affordability of 'Affordable Rent (up to 80% market value) has been reviewed.	N/A
Health & Wellbeing	The use of mainly secure, lifetime tenancies will support the health and wellbeing of tenants, providing a stable home for families. Analysis indicates that a significant proportion of tenants (over 50%) would be able to afford this rent, meaning that Affordable Rent can be used as a viable option to maximise the development of social housing in the city.	Southampton City Council will only make use of Affordable Rent as an alternative to the default Social Rent after careful consideration, on a scheme by scheme basis, of the impact on the Housing Register as well as Local housing Allowance rates and affordability.

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Other Significant Impacts	The draft updated strategy encourages Registered Providers to ensure that, when re-housing a tenant with an existing secure tenure who needs to move, or who has recently moved from their social home to escape domestic abuse, an equivalent tenancy is granted for their new home.	N/A