

Public Document Pack

Overview and Scrutiny Management Committee

Thursday, 15th December, 2022
at 5.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber, Civic Centre,
Southampton

This meeting is open to the public

Members

Councillor Fuller (Chair)
Councillor Houghton (Vice-Chair)
Councillor Cooper
Councillor Guthrie
Councillor Moulton
Councillor Savage
Councillor Shields
Councillor White
Councillor Winning

Appointed Members

Catherine Hobbs, Roman Catholic Church
Francis Otieno, Primary Parent Governor
Rob Sanders, Church of England

Contacts

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PUBLIC INFORMATION

Overview and Scrutiny Management Committee

The Overview and Scrutiny Management Committee holds the Executive to account, exercises the call-in process, and sets and monitors standards for scrutiny. It formulates a programme of scrutiny inquiries and appoints Scrutiny Panels to undertake them. Members of the Executive cannot serve on this Committee.

Role of Overview and Scrutiny

Overview and Scrutiny includes the following three functions:

- Holding the Executive to account by questioning and evaluating the Executive's actions, both before and after decisions taken.
- Developing and reviewing Council policies, including the Policy Framework and Budget Strategy.
- Making reports and recommendations on any aspect of Council business and other matters that affect the City and its citizens.

Overview and Scrutiny can ask the Executive to reconsider a decision, but they do not have the power to change the decision themselves.

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.

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

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.

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

Mobile Telephones:- Please switch your mobile telephones to silent whilst in the meeting

Fire Procedure:-

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

Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Dates of Meetings: Municipal Year 2022/23

2022	2023
9 June	12 January
14 July	2 February
11 August	9 March
8 September	13 April
13 October	
10 November	
15 December	

CONDUCT OF MEETING

TERMS OF REFERENCE

The general role and terms of reference for the Overview and Scrutiny Management Committee, together with those for all Scrutiny Panels, are set out in Part 2 (Article 6) of the Council's Constitution, and their particular roles are set out in Part 4 (Overview and Scrutiny Procedure Rules – paragraph 5) of the Constitution.

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules and the Overview and Scrutiny Procedure Rules as set out in Part 4 of the 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 4.

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 AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

To note any changes in membership of the Panel made in accordance with Council Procedure Rule 4.3.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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

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

3 DECLARATIONS OF SCRUTINY INTEREST

Members are invited to declare any prior participation in any decision taken by a Committee, Sub-Committee, or Panel of the Council on the agenda and being scrutinised at this meeting.

4 DECLARATION OF PARTY POLITICAL WHIP

Members are invited to declare the application of any party political whip on any matter on the agenda and being scrutinised at this meeting.

5 STATEMENT FROM THE CHAIR

6 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)

(Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meetings held on 10 November 2022 and to deal with any matters arising, attached.

7 FORWARD PLAN (Pages 3 - 74)

Report of the Scrutiny Manager enabling the Overview and Scrutiny Management Committee to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive.

8 SCRUTINY OF THE COUNCIL'S FINANCIAL POSITION

(Pages 75 - 146)

Report of the Chair of the Committee recommending that the OSMC discuss with the Cabinet Member for Finance and Change the options available, and the current proposals, to meet the forecast budget shortfalls.

9 MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE

(Pages 147 - 150)

Report of the Scrutiny Manager enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.

Wednesday, 7 December 2022

Director of Legal and Business Services

SOUTHAMPTON CITY COUNCIL
OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
MINUTES OF THE MEETING HELD ON 10 NOVEMBER 2022

Present: Councillors Fuller (Chair), Houghton (Vice-Chair), Cooper, Shields, Stead, White, Winning and Savage

Apologies: Councillors Guthrie
Appointed Members: Rob Sanders

Also in attendance: Councillor Kaur – Leader of the Council
Councillor Bogle - Cabinet Member for Economic Development
Councillor Fielker – Cabinet Member for Health, Adults and Leisure

23. **APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)**

It was noted that following receipt of the temporary resignation of Councillor Furnell from the Committee the Director of Legal and Business Services, acting under delegated powers, had appointed Councillor Savage to replace him for the purposes of this meeting. In addition, the Committee noted the apologies of Councillor Guthrie and Mr Rob Sanders.

24. **MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED: that the minutes for the Committee meeting on 13 October 2022 be approved and signed as a correct record.

25. **FORWARD PLAN**

The Committee considered the report of the Director, Legal and Business Services enabling the Overview and Scrutiny Management Committee to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive.

Councillor Kaur – Leader of the Council and Mike Harris - Chief Executive of Southampton City Council were in attendance and with the consent of the Chair addressed the meeting.

RESOLVED:

On consideration of the briefing paper relating to the forthcoming Cabinet Decision “The Corporate Plan” the Committee made the following recommendations.

- (i) That to enable the Committee to scrutinise the delivery of the Plan, the Executive incorporates key actions and measures against the aims and objectives in the Corporate Plan;
- (ii) That consideration is given to ensuring that there is consistency between the key performance indicators to be reported through the Corporate Plan and the indicators reported to the Governance Committee;
- (iii) That, following the referenced Conditions Survey of private rented homes in Southampton, the Council seeks to ensure that standards against which private rental accommodation is measured is comparable with the standards against which Council housing is measured;

- (iv) That, linked to the support for the Southampton Pound and community wealth building, the Plan includes a commitment to the importance of social value; and
- (v) To ensure that the plan is coherent, the Executive reviews the actions outlined in the plan and checks that each action will contribute to delivering the objective against which it has been connected to.

26. **SOUTHAMPTON CITY VISION LOCAL PLAN - 'DRAFT PLAN WITH OPTIONS' CONSULTATION**

The Committee considered and noted the report of the Cabinet Member for Economic Development inviting the Overview and Scrutiny Management Committee to consider the attached Southampton City Vision Local Plan - 'Draft Plan with Options' and to provide feedback as part of the consultation process.

Councillor Bogle - Cabinet Member for Economic Development, Graham Tuck - Planning Policy Group Leader and Pete Boustred – Head of Transport and Planning were in attendance and addressed the Committee detailing a number of issues relating to the development of the new local plan, including:

- The timescales for the publication of an approved new local plan;
- The range of consultation opportunities available;
- The overriding principles guiding the Local Plan;
- Issues relating to the establishment of balanced communities in the City in particular in relation to the proliferation of Houses of Multiple Occupation.

27. **CHILDHOOD OBESITY INQUIRY - UPDATE ON PROGRESS**

The Committee considered and noted the report of the Cabinet Member for Health, Adults and Leisure providing the Committee with an update on progress made delivering the approved recommendations generated by the Childhood Obesity Scrutiny Inquiry.

Councillor Fielker – Cabinet Member for Health, Adults and Leisure, Dr Debbie Chase - Director of Public Health and Ravita Taheem – Public Health Practitioner were present and with the consent of the Chair addressed the meeting in regard to a number of issues including:

- Progress made so far against the Scrutiny Inquiry's recommendations;
- The effect of the pandemic on progressing approved actions;
- The shifting into the second phase of the recommendations; and
- The challenges and abilities of the Council as a whole to change and adapt behaviours.

28. **MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE**

The Committee considered and noted the report of the Director, Legal and Business Services, enabling the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.

Agenda Item 7

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	FORWARD PLAN		
DATE OF DECISION:	15 DECEMBER 2022		
REPORT OF:	SCRUTINY MANAGER		
<u>CONTACT DETAILS</u>			
Executive Director	Title	Chief Executive	
	Name:	Mike Harris	Tel: 023 8083 2882
	E-mail	Mike.harris@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
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STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
This item enables the Overview and Scrutiny Management Committee (OSMC) to examine the content of the Forward Plan and to discuss issues of interest or concern with the Executive to ensure that forthcoming decisions made by the Executive benefit local residents.			
RECOMMENDATIONS:			
	(i)	That the Committee discuss the items listed in paragraph 3 of the report to highlight any matters which Members feel should be taken into account by the Executive when reaching a decision.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To enable Members to identify any matters which they feel Cabinet should take into account when reaching a decision.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None.		
DETAIL (Including consultation carried out)			
3.	The Council's Forward Plan for Executive Decisions from 20 December 2022 has been published. The following issues were identified for discussion with the Decision Maker:		
	Portfolio	Decision	Requested By
	Housing and the Green Environment	Air Quality Action Plan 2023-2028	Cllr Fuller & Houghton
4.	Briefing papers responding to the items identified by members of the Committee are appended to this report. Members are invited to use the paper to explore the issues with the decision maker.		

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
5.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
<u>Property/Other</u>	
6.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
8.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
RISK MANAGEMENT IMPLICATIONS	
9.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
POLICY FRAMEWORK IMPLICATIONS	
10.	The details for the items identified in paragraph 3 are set out in the Executive decision making report issued prior to the decision being taken.
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Briefing Paper – Air Quality Action Plan 2023-2028
Documents In Members’ Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	Identified in Executive report
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	Identified in Executive report
Other Background Documents Equality Impact Assessment and Other Background documents available for inspection at:	

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

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BRIEFING PAPER

SUBJECT: AIR QUALITY ACTION PLAN 2023 – 2028 ADOPTION
DATE: 15 DECEMBER 2022
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

1. A new Air Quality Action Plan (AQAP) has been produced for Southampton and is due to be presented to Cabinet on 20/12/22 with a recommendation for adoption and implementation.
2. Southampton City Council has a statutory duty to publish and maintain an Air Quality Action Plan to ensure statutory air quality limits are not exceeded. It has also set itself a broader ambition in its Our Green City Plan to deliver ongoing improvements in local air quality beyond such standards and the Plan demonstrates how this can also be achieved.
3. The new Air Quality Action Plan has been developed following a rigorous engagement and shortlisting process.
4. It includes 60 new measures which aim to bring about an improvement in the city's air quality over the next 5 years. It also sets out the 47 measures the Council is already implementing or have implemented.

Reasons for adopting an Air Quality Action Plan

5. Air quality remains the greatest environmental risk to health in the UK. Part VI of The Environment Act 1995 sets out the national air quality management framework. It broadly involves a requirement for local authorities to monitor and manage certain pollutants which may exceed national air quality objectives. This duty is referred to as the Local Air Quality Management (LAQM) regime.
6. In areas where persistent exceedances of objectives are monitored, Air Quality Management Areas (AQMAs) must be defined and established by the local authority. In local authorities where AQMAs are established, an Air Quality Action Plan (AQAP) must be adopted and updated regularly. AQAPs aim to demonstrate how the Local Authority will work towards compliance with air quality standards in its AQMAs. They also provide an opportunity to set out wider strategic measures. They offer an important policy tool for air quality and related agendas including sustainable transport and climate change, helping leverage funding opportunities, including the annual Defra air quality fund.
7. Southampton City Council (SCC) has declared 10 AQMAs (Annex 1) due to monitored exceedances of the national air quality objective for annual concentrations of Nitrogen Dioxide (40 ug/m³). The first AQAP was adopted in 2008 and later updated in 2009 to work towards addressing these exceedances.

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8. This original plan includes a number of measures to improve air quality including upgrades to public transport, shore side power for cruise ships, school and workplace travel plans and improvements to the council's own fleet. Most of these measures are now complete.

Reasons for updating the Air Quality Action Plan

9. The Council's last AQAP update was in 2009. Defra have indicated through feedback to recent Annual Status Reports that the AQAP is due for an update and new requirements under The Environment Act 2021 require an AQAP to be updated at least every 5 years.
10. In our Green City Charter, published in 2019 the Council made a commitment to deliver ongoing improvement in air quality, beyond statutory requirements, for the benefit of the city's residents. Our subsequent Green City Plan included a commitment to deliver an updated AQAP to reflect this.
11. Alongside the previous AQAP, the Council has also recently implemented a Local NO₂ Plan (2019-2022). The Local NO₂ Plan was introduced as a "non-charging Clean Air Zone" supported and funded by central government to help ensure that the city complied with European Union air quality standards. It introduced several large-scale measures including the Clean Bus Retrofit scheme and the Low Emission Taxi Incentive scheme which have been able to deliver improvements in air quality. More detail on the Local NO₂ Plan and how it related to the AQAP is available in the Full AQAP update document in sections 1.6.1 and 3.2.
12. The Council has now delivered its Local NO₂ Plan and are working with central government to evaluate its effectiveness. This process is likely to conclude in Spring 2023. The outcome of this may be that further measures will be funded through the government's Clean Air Fund to ensure compliance is maintained.
13. With The NO₂ Plan concluded and the previous AQAP in need of an update there's a need for a new air quality policy which will set out the long-term approach the Council will take to secure further improvements in the city's air quality.
14. An update is also needed to capture current air quality projects not yet associated with the policy including the air quality engagement programme and the e-taxi and van trial scheme. The update will also be helpful in setting out the work other service areas are undertaking which also brings about improvements in air quality.
15. The new Environment Act (2021) will introduce stricter air quality objectives for Particulate Matter pollution, including an exposure-based target. These objectives were due to be announced and adopted in October 2022, however this has been delayed to an unknown date.
16. New measures in the plan can be proactive and anticipate changes in policy. The Act also provides new powers to local authorities to tackle emissions which will make further measures possible, and stricter deadlines for updating AQAPs.

How measures were identified for inclusion in the Plan

17. Measures in the plan have been selected through a process of long listing opportunities and then shortlisting, whereby cost-effective and feasible measures have been prioritised. Full detail on this process is set out in Appendix 2 of the full AQAP update.

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18. The process included a stakeholder engagement exercise to identify options and, later, the developing AQAP was the subject of a public consultation exercise. Details are included in the 'Consultation and engagement' section of this report and full detail is provided in appendix 3 of the Air Quality Action Plan document.
19. Many of the measures in the plan are already funded or have an identified funding route. The few measures which are not yet associated with funding are included to set out where the Council would like to secure additional funding if it were made available.

Priorities

20. In total 60 new measures not previously included in air quality policy are set out in the plan to be delivered or initiated in the next 5 years. 22 of these measures are not yet funded, 6 are partly funded and the remaining 32 are fully funded.
21. The Action Plan breaks measures down into five key priority areas. These were established through discussions with other officers and through the public engagement exercise. The priority areas are:
- a. Empowering Communities – public engagement and behaviour change measures – 13 new measures
 - b. Supporting Businesses – measures targeting freight and providing incentives to businesses – 9 new measures
 - c. Active and Sustainable Travel – encouraging modal shift through infrastructure and engagement – 9 new measures
 - d. Low and Zero Emission Vehicles – hybrid, electric and other alternatively fuelled vehicles - 15 new measures
 - e. Monitoring and Planning – measures which help ensure the long-term effectiveness of the plan through improving our monitoring network and/or ensuring future developments are in line with air quality policy – 14 new measures.
22. In addition to these 60 new measures, the existing 47 measures which have already been implemented or are being implemented are also presented in the AQAP. These are the measures air quality officers already report on through Annual Status Report submissions.

Consultations and stakeholder engagement

23. Annex 2 sets out consultation undertaken, and stakeholders engaged in those consultations.
24. Annex 2 also shows which statutory consultees engaged as per the relevant Defra guidance. Where responses were received, these have been integrated into the action plan. This includes a response from Defra who have approved the plan subject to minor amendments which have now been made.
25. The engagement survey aimed to identify types of measures which members of the public would be most supportive of. Results are provided in Annex 3.
26. The Council received responses from 128 residents through the full statutory consultation culminating in 260 comments providing feedback on the proposed measures as well as suggestions for new ones. Responses largely centred around

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electric vehicle (EV) infrastructure, public transport, congestion, and cycling infrastructure. Members of the public were generally supportive of the plan with 78% of responders expressing their support.

27. As well as comments in support of the plan, around 40 comments were made which requested further action. These were mostly related to pedestrianisation, HGV movements, park and ride and wood burning.
28. These suggestions were evaluated and, when found to be cost-effective and feasible, were added to the shortlist as new measures. Minor amendments were also made to several measures to capture the changes members of the public would like to see not previously set out in the plan.
29. Further detail on the changes made as a result of consultation is available in Appendix 3 of the Air Quality Action Plan document.
30. In addition, where suggested measures were not taken forwards, these have been addressed and are available in Appendix 4 of the Air Quality Action Plan document.
31. General comments not associated with a new suggestion were also gathered. The main themes in these comments were regarding concerns about barriers to taking up an electric vehicle, concerns about charging zones and concerns about Southampton Airport and the port. These have each been noted and investigated, none were deemed to justify further changes to the plan.

Next Steps

32. The AQAP and supporting documentation provided with this paper are to be presented to Cabinet on 20/12/22 with the following recommendation:

(i)	To formally adopt and implement the Air Quality Action Plan update as presented in Appendix 1.
(ii)	To delegate authority to the Director of Environment to introduce future revisions, including making minor amendments following consultation with the Cabinet Member Housing and the Green Environment and S151 officer, so that the plan is able to respond to both national and local changes.

Alternatives Considered

33. Delay adoption of the provided version of the AQAP:
 - Benefits - More time to review and amend the plan including incorporating any known changes as a result of the Local NO2 Plan review (in approximately 6 months' time).
 - Risks/reasons rejected - Slower adoption of plan and benefits realisation, potential for escalation process from Defra including warning letters and eventually ministerial intervention under Environment Act 2021.
34. Do not progress with the update to the AQAP:
 - Benefits – No reputational risk from poor feedback to the plan.
 - Risks/reasons rejected – Non-compliance with expectations from Defra and potential for warning letters and ministerial intervention, multiple missed opportunities to align plan with other policy, no benefits realisation from plan including potential for missed funding opportunities.

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35. Delay approval of the provided version of the AQAP update and reduce the number of actions to those which are either already committed or are considered most likely to be fully funded in the period of the plan:

- Benefits – Less likely to be perceived as under-delivering at the end of the plan's implementation period.
- Risks/ reasons for rejecting – plan may be seen as lacking ambition and not willing to address opportunities which the shortlisting process suggests could be effective, could risk future funding opportunities if bid cannot reference policy.

Delegated powers for minor amendments

36. This Air Quality Action Plan update will cover a five-year period as required by The Environment Act 2021. To ensure the Plan offers a complete and up to date picture of the council's duties and activities over that period it may be useful to make minor amendments to reflect changes in council and central government priorities.

37. Minor amendments are considered those which:

- Include changes to the contextual information e.g. new legislation, Council policy.
- Addition of new measures or amendment of existing measures which does not significantly affect the overall policy direction of the plan.

38. Several minor changes may be required over the course of the five years to ensure the plan remains consistent with current policy. If each needs to be presented to Cabinet Members, this could present a disproportionate burden on officer and councillor time and resource.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

Resource

39. No new resource is required to implement the AQAP. Three air quality posts exist in the Sustainability Team to support air quality related activities – one project lead, one support officer and a new sustainable schools engagement officer who will later lead on wider engagement.

40. Existing funding for current roles is from a combination of central government funding and committed Green City revenue. As far as possible, future grants will include funding for officer time where not yet covered by grant funding. Currently, 80% of the air quality lead role is financed through grants and 100% of the school's role will also be grant funded. The support role has recently become vacant and is under review pending outcomes of the Local NO2 Plan and implications for funding.

41. The measures presented are not considered unrealistic to implement with current resource. Funding opportunities can also be utilised to fund resource and delivery partners if projects are found to be beyond the scope of current officers.

Policy

42. The AQAP update and related consultation has strong strategic alignment with SCC policies, namely:

- Our Green City Charter Plan
- 2009 Air Quality Action Plan

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- Southampton Health and Wellbeing Strategy 2017-2025
- Clean Air Strategy 2019-2025
- Connected Southampton 2040 Local Transport Plan

43. The plan will form a new piece of policy which future projects, bids and policy will refer to, helping build the case for further funding and action.
44. The AQAP update includes no new commitments for stricter targets to be met. These are already established through Our Green City Charter.

Financial

45. None of the measures presented are associated with a cost to the Council's budget. Shortlisted measures either have existing funding, potential for future funding, or can provide a revenue stream to offset any cost to the Council.

Legal

46. Updating the AQAP is a requirement for local authorities under Part IV of The Environment Act 2021 and the LAQM regime.
47. The Council are required to update the AQAP at least every 5 years under the Environment Act 2021. Failing to do so may result in a ministerial direction.
48. In producing an AQAP the council is required to have regard to the impact of the plan on those with protected characteristics under the Equalities Act 2010 and to prepare the plan in accordance with its duty under s. 149 (public sector equality duty) and the need to have regard to eliminating unlawful discrimination, harassment and victimisation of those with protected characteristics. An EISA has been carried out to support this duty. In addition to these duties the council has had regard to the impact of the proposals on property rights under Article 1 of the First Protocol of the Human Rights Act 1998 which prevents placing restrictions on use or otherwise impacting on the use of property (by declarations of AQMA's for example) without first having demonstrated that the restrictions or requirements are lawful and in the public interest / proportionate to the environmental harm the restrictions are required to address.

RISK MANAGEMENT IMPLICATIONS

49. There are reputational risks for SCC associated with not fully implementing all the commitments made in the Clean Air Strategy and Air Quality Action Plan. This may be the case if measures set out in the plan do not have an associated funding commitment. As discussed, measures presented in the plan are deemed to be a good balance between realistic and ambitious. In addition, Defra guidance suggests that measures which aren't yet funded should be included in the plan instead of not being included.
50. The most recent responses from Defra regarding our ASRs highlighted the need for an updated AQAP to be updated, that same need had been included in the Green City Plan.
51. Although it would have been preferred to update the plan in 2020/21 to better meet Defra's expectations, delay in development of the plan has been necessary for several reasons. These include the need to finalise and evaluate the impact of the Local NO₂ Plan during the COVID19 pandemic, as well as understanding how longer-term travel

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behaviours may affect future concentrations, and to account for two changes in administration and related priorities.

52. Now that these factors have been addressed, it is important that this version of the AQAP is adopted promptly to avoid further reputational risk and potentially action from Defra if further delay is experienced.

53. It should also be noted that “*Failure to ensure delivery of statutory air quality standards*” as well as “*Failure to deliver the key actions and commitments to address climate emergency and biodiversity crisis, as set out in the Green City Charter*” both feature on the Council’s Strategic Risk Register which is reviewed on a quarterly basis by the Executive Directors via the Finance, Commercialisation and Performance Board.

Appendices/Supporting Information:

Annex 1: Southampton City Council AQMAs

Annex 2: Consultation Summary

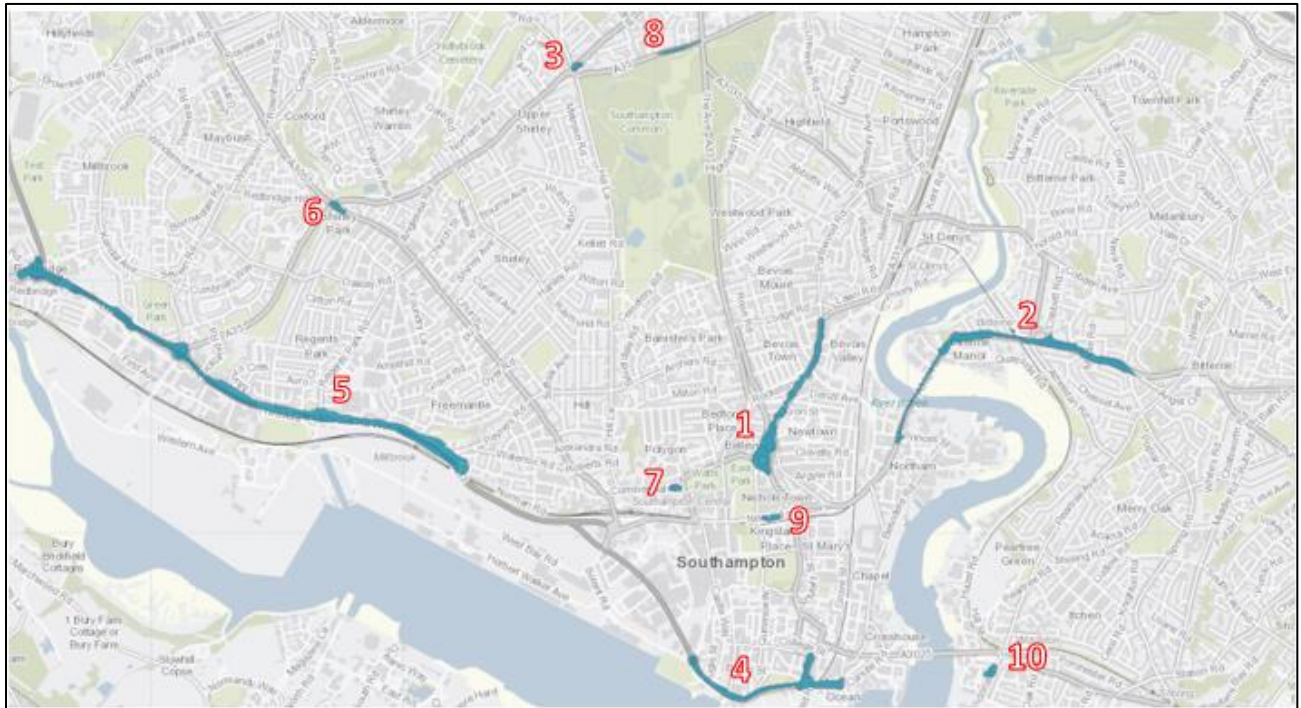
Annex 3: Engagement exercise results

Annex 4: Southampton City Council Air Quality Action Plan 2023 – 2028

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Annex 1: Southampton City Council AQMAs



AQMA Number	AQMA Name
1	Bevois Valley Road
2	Bitterne Road West
3	Winchester Road
4	Town Quay
5	Millbrook and Redbridge Road
6	Romsey Road
7	Commercial Road
8	Burgess Road
9	New Road
10	Victoria Road

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Annex 2: Consultation summary

The below table sets of what consultation was held with what consultees and when.

Consultation	Stakeholders engaged	Duration
Internal consultation	SCC relevant officers including Steering Group	25 th May 2021 - 11 th June 2021 (2 weeks)
Engagement survey	Southampton residents and relevant public bodies	9 th September - 30 th September 2021 (3 weeks)
Councillor workshop	Cabinet Member for Environment and Cabinet Member for Growth	18 th January 2022
Officer workshop	Key officers relevant to projects	25 th April 2022 – 3 rd June 2022 (5 weeks)
Formal consultation	Southampton residents, consultees listed in Table 4.1.	June 16 th – 28 th July 2022 (6 weeks)

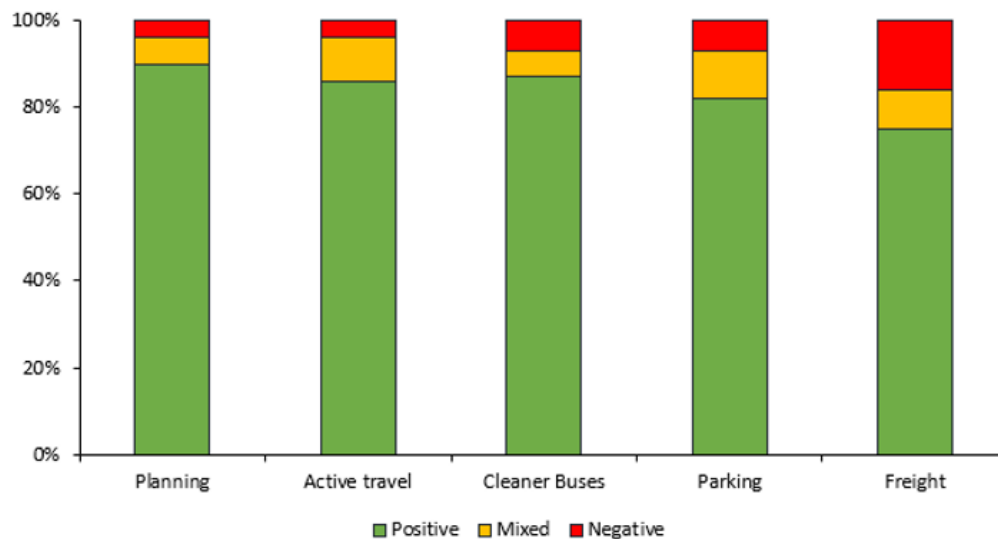
The below table sets out the statutory consultees engaged with for which responses were received from.

Yes/No	Consultee	Response received
Yes	the Secretary of State	Yes
Yes	the Environment Agency	Yes
Yes	the highways authority	No
Yes	all neighbouring local authorities	No
Yes	other public authorities as appropriate, such as Public Health officials	No
Yes	bodies representing local business interests and other organisations as appropriate	Yes

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Annex 3: Engagement exercise results

The engagement survey aimed to identify types of measures which members of the public would be most supportive of. The graph below shows what type of measures residents were most supportive of. The colours denote the type of response received – green is positive, amber is mixed or neutral and red it negative.



Least popular classes of measures included those supporting the shift to EVs (43% positive, 36% mixed and 31% negative), homes (55% positive, 8% mixed and 37% negative) and working with the health sector (61% positive, 5% mixed and 34% negative).

Many of the negative comments around EV and homes related to the cost of cleaner technologies which respondents didn't want to be forced to adopt.

This response was incorporated into the final shortlist presented in the statutory consultation.

Southampton City Council Air Quality Action Plan 2023-2028

In fulfilment of Part IV of the Environment Act 1995

Local Air Quality Management



Local Authority Officer	George O’Ferrall
Department	Green City and Infrastructure
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Report Reference number	AQAP 2023
Date	

Executive Summary

Poor air quality remains the greatest environmental health risk in the UK. Air pollution is associated with a number of adverse health impacts which typically affect those most vulnerable in our society most^{1,2}.

In the UK, the annual health cost to society of the impacts of particulate matter pollution alone is estimated to be around £16 billion³. By improving air quality, we can reduce the unnecessary burden that poor air quality has on the residents of Southampton.

Southampton City Council has done a lot to improve the city's air quality. The City's first Air Quality Action Plan (AQAP) which was first adopted in 2008 and later updated delivered:

- Shore-side electric facilities
- Personal travel planning service for residents
- Air pollution forecasting and alert service
- Air quality integrated as a key element of the Local Transport Plan
- Air quality planning guidance
- School travel plans
- Council fleet improvement
- Rail gauge enhancements
- Millbrook roundabout improvements
- Bus quality partnership

Southampton City Council has also implemented a Local NO₂ Plan (a non-charging Clean Air Zone) as required by central government. Measures in the plan include:

- A Clean Bus Retrofit programme
 - Retrofitting 145 buses to Euro VI equivalent compliance
 - All buses in the Southampton fleet now met Euro VI equivalent standards
- The Low Emission Taxi Incentive scheme

¹ Environmental equity, air quality, socioeconomic status, and respiratory health, 2010

² Air quality and social deprivation in the UK: an environmental inequalities analysis, 2006

³ Defra. Abatement cost guidance for valuing changes in air quality, May 2013

- Over 200 taxis have taken up the scheme and over 50% of Southampton's taxi and private hire fleet are now hybrid or electric vehicles
- Taxi licensing conditions
 - All Southampton taxis and private hire vehicles will need to meet Euro 6 compliance by 2023
 - Over 80% of the fleet currently meet Euro 6 standards
- Delivery and Service Plans and enhanced use of the Sustainable Distribution Centre for public authorities including the NHS
- Targeted active travel scheme behaviour change scheme
- Taxi telematics to help drivers understand how they can benefit from an electric taxi

Due to these measures and national improvements, we've seen air quality in the city gradually improve since monitoring began. The Council holds the ambition to this trend continue.

This AQAP is an update to the previous plan produced in 2008 as part of our statutory duties required by the Local Air Quality Management framework. It outlines the action we will take to improve air quality in Southampton between 2023-2028 to continue to improve air quality and reduce its burden on our residents.

We have identified 5 priority areas where new efforts under the action plan will be focussed:

1. **Empowering Communities**
2. **Supporting Businesses**
3. **Active and Sustainable Travel**
4. **Low Emission Vehicles**
5. **Planning and Monitoring**

In this AQAP we outline how we plan to effectively tackle air quality issues within our control.

We recognise that there are many effective measures which The Council cannot achieve alone. We will continue to work with external organisations including businesses, residents and central government on policies and issues beyond Southampton City Council's direct influence.

The key measures in the plan include:

- Wood burning public engagement programme
- Air quality school's engagement programme
- New high-tech air quality monitors
- Shore-side power for cruise ships docking at the Port of Southampton
- Enhanced air quality requirements in the planning process

- Electric taxi and light commercial vehicle try before you buy scheme including new chargers across the city
- Identify further opportunities for better pedestrian infrastructure including Active Travel Zones
- Supporting shared 'micromobility' by providing rental manual bikes, e-bikes, and cargo bikes for residents

This AQAP will be subject to an annual review including an appraisal of progress as part of Annual Status Reports (ASRs) produced by Southampton City Council as part of our statutory Local Air Quality Management duties. Progress will also be reported to the Green City Programme Board and relevant cabinet members as required.

If you have any comments on this AQAP, please send them to our air quality inbox at:

airquality@southampton.gov.uk.

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1. Introduction

This Air Quality Action Plan (AQAP) update outlines the measures that Southampton City Council will deliver between 2022-2027 to improve air quality in the city. The full list of measures is provided in section 3.1.

The plan been developed in recognition of the legal requirement on the local authority to work towards Air Quality Strategy (AQS) objectives under Part IV of the Environment Act 1995 (and subsequent amendments) and relevant regulations made under that part and to meet the requirements of the Local Air Quality Management (LAQM) statutory process. This Plan will be reviewed every five years at the latest and progress on measures set out within this Plan will be reported on annually within Southampton City Council's air quality Annual Status Report (ASR).

1.1. The National Picture

"Clean air is essential for life, health, the environment, and the economy.

While significant improvements have been achieved over recent decades, poor air quality remains the greatest environmental health risk in the UK, shortening lifespans and damaging quality of life for many people, with those most vulnerable suffering the most."

- Clean Air Strategy 2019

Air pollution has been a major issue in the UK for decades. The Great London Smog in 1952 was the single worst pollution even in the UK, leading to the deaths of around 12,000 over the course just a few days. Since then, improvements in technology and new legislation has resulted in large reductions in emissions.

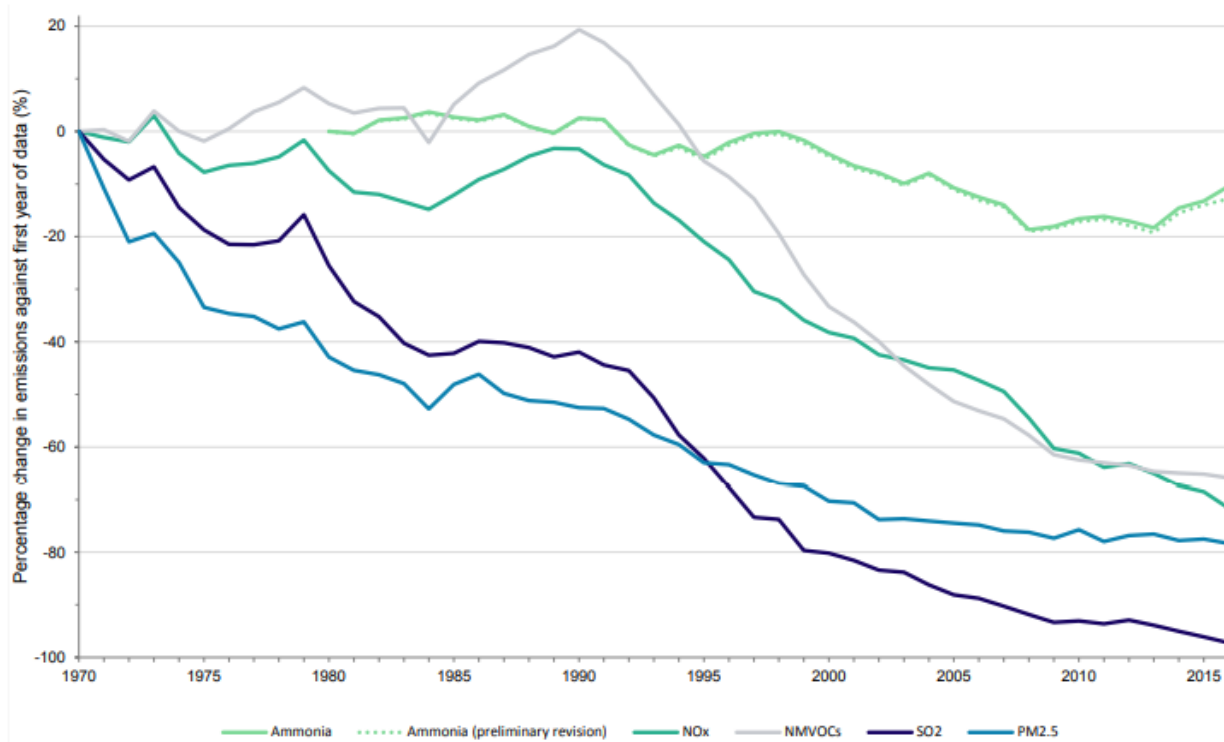


Figure 1 Change in emissions of air pollutants, 1970-2016 (Defra Clean Air Strategy 2019)

Despite these improvements, poor air quality remains the greatest environmental risk to health in the UK. Nitrogen Dioxides (NO₂), largely from road transport, and particulate matter (PM) emissions, from a variety of sources including domestic wood burning, industry and transport, are the main pollutants of concern and continue to burden the health of UK residents.

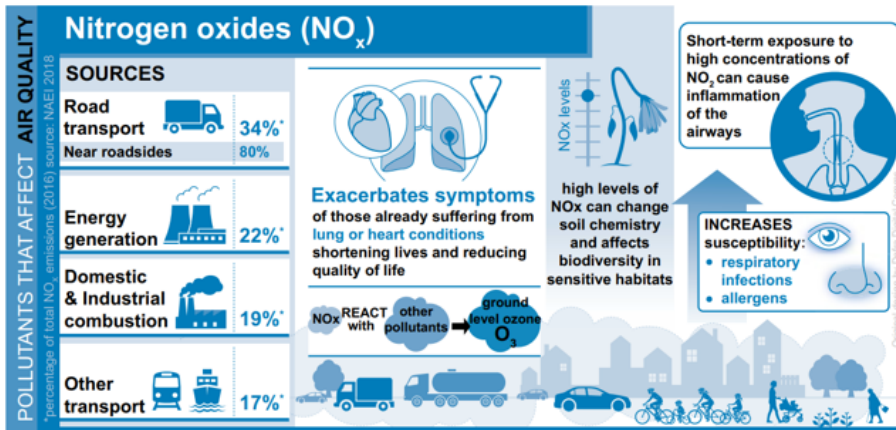
Taking action to improve air quality will reduce the burden of pollution on public health and the NHS while getting people back to work, learning, and leading an active life. In most cases these benefits far outweigh the cost of action.

Air pollution is also an issue of inequality, those who pollute the least typically suffer the most. Action to improve air quality should not only look at reducing emissions, but also address this inequality and focus in areas improving air quality worsens other factors of inequality.

1.2. Key Pollutants

While there are lots of different pollutants, the main pollutants of concern in Southampton are Nitrogen Oxides/ Nitrogen Dioxide (NO_x/ NO₂) and Particulate Matter (PM), notably PM_{2.5}.

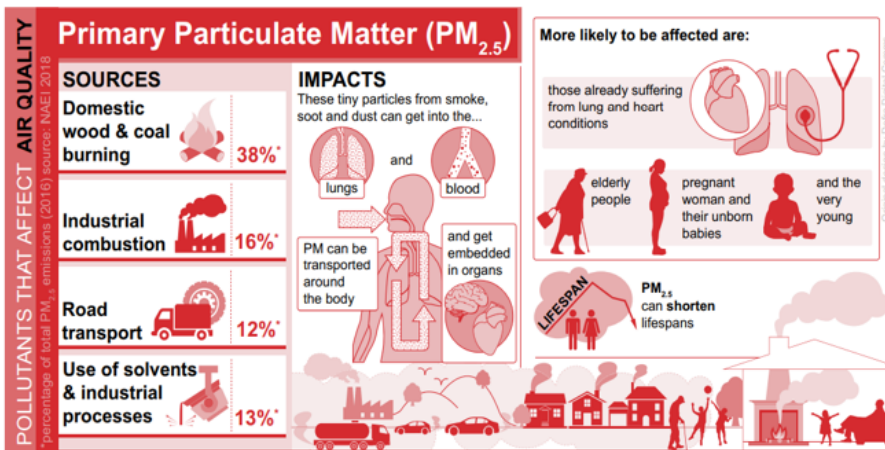
Nitrogen Oxides (NO_x)/ Nitrogen Dioxide (NO₂)



Sources
Around two thirds of NO_x is emitted from road transport, the greatest contributor of which in the UK being diesel cars.

NOTE
NO_x (Nitrogen Oxides) and NO₂ (Nitrogen Dioxide) can be used interchangeably. NO_x includes both NO₂ and NO (nitric oxide) which is not a pollutant.

Particulate Matter (PM_{2.5})



Sources
The greatest source of primary (directly emitted) particulate matter in the UK are domestic wood burners, followed by industrial burning and other processes and road transport. Lots of particulate matter is 'secondary' – meaning it comes from outside the country or is formed by reactions in the atmosphere.

Particulate matter consists of liquids or solids suspended in the air. Ash, dust, black carbon from exhausts and a huge number of other substances are all classed as particulate matter.

NOTE
PM_{2.5} is one of several types of particulate matter. These are often referred to in the categories: PM₁₀, PM_{2.5} etc. The number represents the size of the particle. In general, the smaller a particle is, the more dangerous it can be to health as it can penetrate deeper into the body.

1.3. Health Impacts

For most, short-term exposure to high levels of pollution will result in irritation and inflammation of airways. For those already suffering from lung or heart conditions, symptoms can be made much worse. Longer term exposure to air pollution can worsen and increase the risk of developing these conditions in the first place.

In the UK:

1. 28,000 – 36,000 deaths each year attributable to human-made air pollution in the UK. ⁴
2. An estimated 340,000 years of life are lost every year as a result of outdoor PM_{2.5} alone. ⁵
3. Impacts of air pollution are not felt equally. Those who live and work near busy roads and those that are more vulnerable due to age or existing medical conditions bear the brunt of impacts.
4. The total NHS and social care cost due to PM_{2.5} and NO₂ combined in 2017 was estimated to be £42.88 million. ⁶
5. Air pollution has been estimated to be responsible for total productivity losses of up to £2.7 billion in 2012⁷ as those made ill by poor air quality are less able to work effectively and are more likely to take days off.

Air pollution affects us throughout life but has the most impact on health when we're very young and very old.

⁴ Committee on the Medical effects of air pollutants. Mortality effects of long term exposure to particulate air pollution in the UK (2009). <https://www.gov.uk/government/publications/comeap-mortality-effects-of-long-termexposure-to-particulate-air-pollution-in-the-uk>

⁵ [Air pollution main report WEB 1_0_0 \(2\).pdf](#) – Every breathe we take

⁶ [Air pollution: a tool to estimate healthcare costs - GOV.UK \(www.gov.uk\)](#)

⁷ Ricardo-AEA, 'Valuing the Impacts of Air Quality on Productivity' (2014), https://uk-air.defra.gov.uk/assets/documents/reports/cat19/1511251135_140610_Valuing_the_impacts_of_air_quality_on_productivity_Final_Report_3_0.pdf

1.4. Impacts on The Environment

Pollution can have a large impact on vulnerable habitats including salt marshes. This can make these areas less resilient to types of human disturbance, like water pollution.

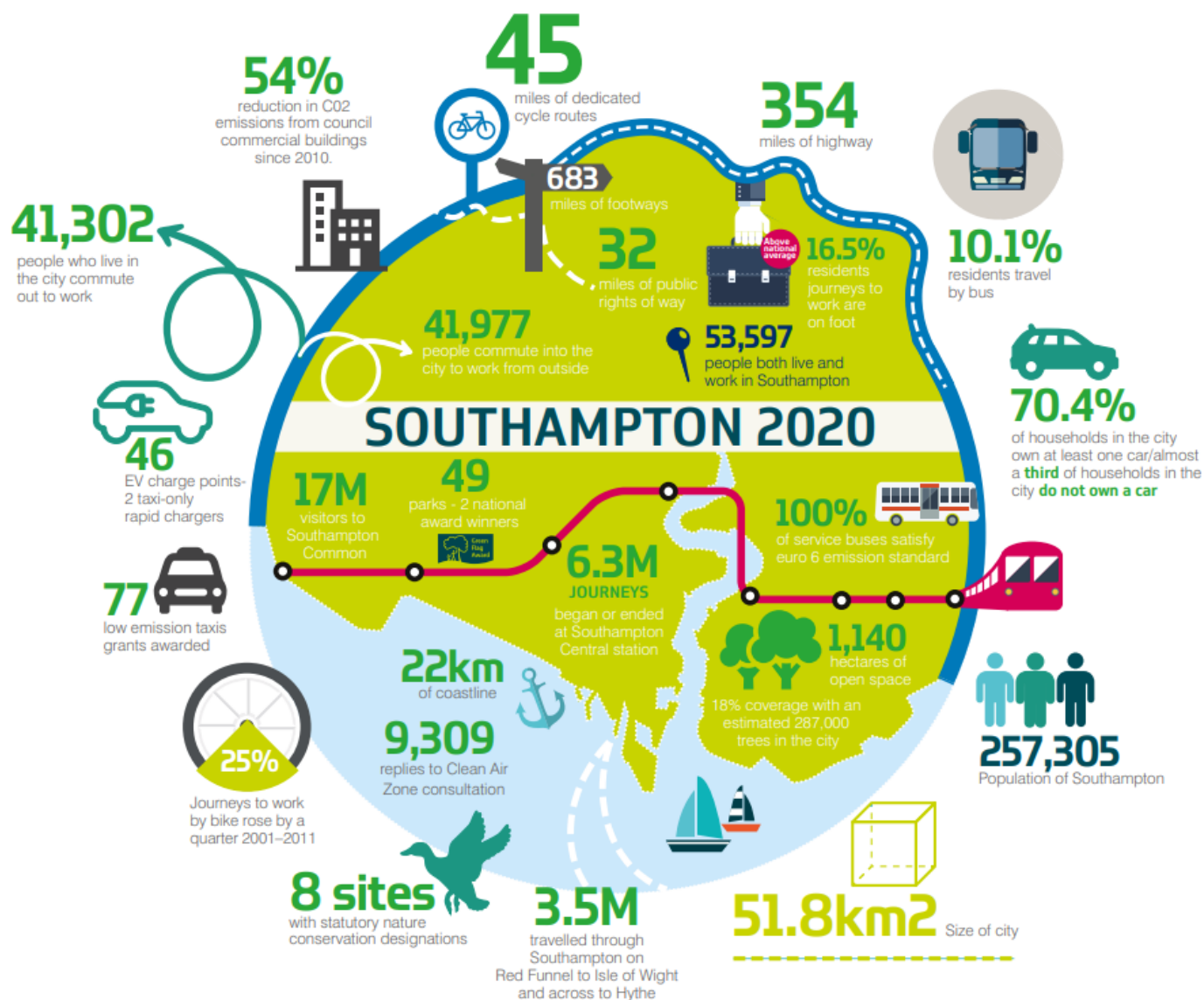
Air Pollution and Climate Change

Air quality and global climate change both present major challenges to human health and the environment. While they both have shared causes – mostly a result of burning fuels – the impacts are very different. Air pollution is a local issue where pollutants directly impact people nearby to sources like roads or industry. The impacts presented by climate change are global and much longer term.

While this action plan focuses on air quality, the measures presented have also been selected on the basis of their potential to mitigate climate change as is in alignment with our ambitions under Our Green City Charter. Likewise, SCC's decarbonisation policy will also seek measures which can deliver benefits for air quality as well as climate change, while those which have an adverse impact on air quality will be avoided.

1.5. Summary of Current Air Quality in Southampton

Southampton is the third most population dense city in England and the largest in Hampshire. The city is served by various major transport infrastructure links, including the M3 and M27 Motorways, a major cruise, container and vehicle port, a main line railway to London and along the south coast and a regional airport just outside the city's northern boundary.



Southampton is also a growing city:

- With the forecast for 42,000 homes and 472,000m² of employment space to be required in the City Region between 2016 and 2036. It is estimated that there could be 275,000 more trips being made each morning – 10% more than today.
- As the city grows, journey times could increase further with one main corridor forecast to see an increase in peak journey times of 127%.
- The Port of Southampton could be handling 95% more cruise passengers, 63% more containers and over 100% more automotive exports.
- Southampton Airport has plans to double the number of passengers and flights through it by 2037.

Like other major cities in the UK, Southampton experiences high levels of nitrogen dioxide pollution in several key areas where road transport traffic and congestion is high.

Most traffic in the city is funnelled into only a few key routes towards the city centre, these being the Western, Eastern and Northern Approaches. These are the areas where congestion is most intense, particularly during busy times of the day, and subsequently presenting the greatest challenge. Figure 2 below sets out the contributions of each key source in the city to NO_x levels.

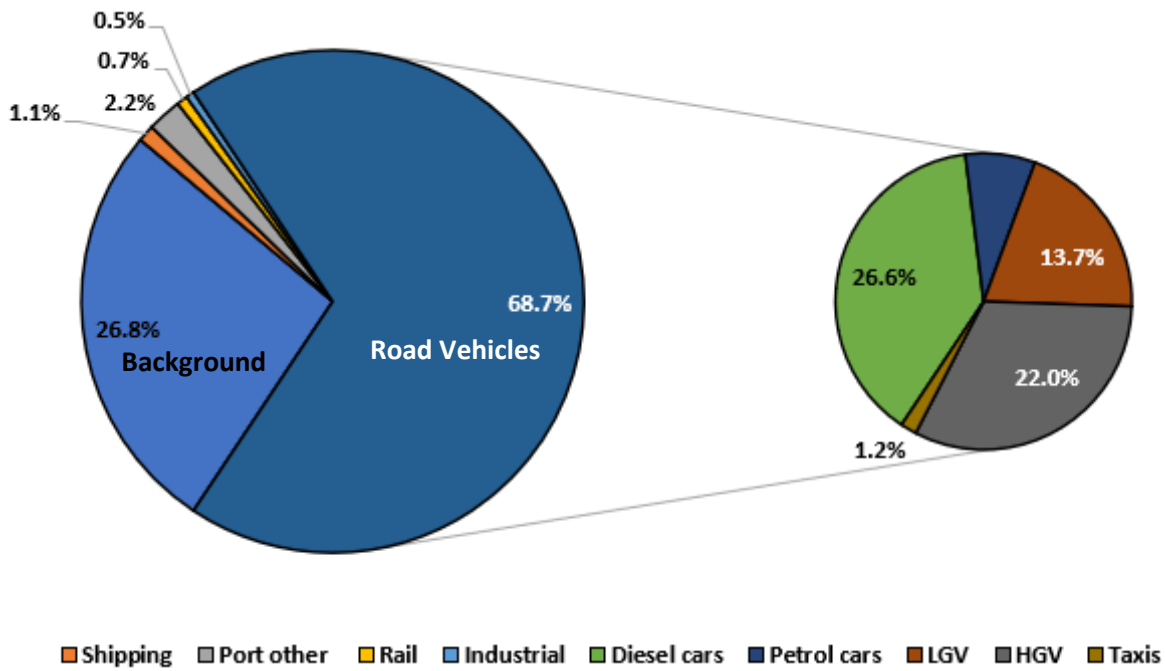


Figure 2 NOx contribution by source using a citywide verification factor. This data is taken for an average of all sites where source apportionment took place.

Further detail on source apportionment is provided in Appendix 1. Southampton residents have a good awareness of the air quality challenge. Of a group of 282 residents surveyed, 88% consider poor air quality to be a fairly big or very big problem.

To what extent do you think air quality is a problem in Southampton?

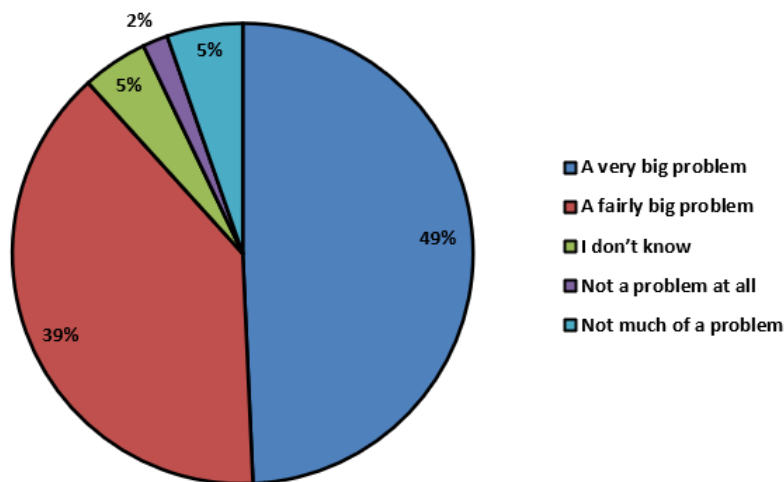


Figure 3: Responses from residents on the extent to which they think air quality is a problem in Southampton.

1.6. Public Health Context

Local Public Health impacts

Public Health England estimates that 6.3% of deaths in Southampton can be attributed to particulate matter pollution - higher than the Southeast England figure of 6.0%.

Research by the Clean Air Fund indicated that if air pollution was cut by a fifth in the city, every year we could see:⁸

- 150 fewer children suffering with reduced lung function;
- 81 fewer children suffering with a chest infection and 69 fewer asthmatic children suffering with bronchitic symptoms (cough and phlegm);
- A decrease in the risk of coronary heart disease by around 4.2% which would result in 48 fewer cases a year; and
- A decrease in lung cancer cases by around 5.9%, which would result in 10 fewer cases every year.

Local Health Inequalities

The impact of air pollution is not felt evenly across the city. Certain factors, including age and medical history, can make certain residents more vulnerable.

Poor air quality can make health inequality worse. Residents living in areas of poor air quality may be more susceptible to other illness than those residents living in areas of cleaner air.

There are pockets of deprivation in the city with 11% of the population living in the top 10% of the most deprived in England. In the most deprived areas of Southampton compared to the least, asthma prevalence is approximately 1.46 times higher and emergency admissions for asthma is approximately 1.92 time higher⁹.

⁸ [policy-brief-Southampton.pdf \(cleanairfund.org\)](#)

⁹ [Health inequalities \(southampton.gov.uk\)](#)

1.6.1. National and International Policy Context

UK Objectives

First established through The Environment Act in 1995. The Act requires local authorities to:

- Monitor local air quality and identify which areas don't meet national air quality objectives (listed in Table 1).
- Establish Air Quality Management Areas (AQMAs) where air quality objectives are not likely to be met.
- Establish an Air Quality Action Plan (AQAP) which sets out how the local authority will work to ensure compliance within the AQMAs
- Report on progress annually through an Annual Status Report (ASR)
- Update the Air Quality Action Plan regularly.

Almost all AQMAs are established for exceedances of the objectives for NO₂.

EU Limits

- Determined through the EU 2008 Ambient Air Quality Directive and established in UK law through the Air Quality Standards Regulations 2010.
- The UK government is required to meet these limits in the shortest possible time.
- Limits closely reflect the UK objectives. These are listed in Table 1.
- In response the UK published its plan for tackling roadside nitrogen dioxide concentrations. Over 60 LA's, including Southampton, have been required by central government to establish 'NO₂ Plans' – which might involve the provision of charging 'Clean Air Zones' which are currently being established across the country.

1.6.2. Local Policy Context

SCC monitoring identified possible persistent exceedances for the UK objective of Nitrogen Dioxide in 2005. Following this, AQMAs were established and subsequently amended to reflect the key areas for poor air quality in the city.

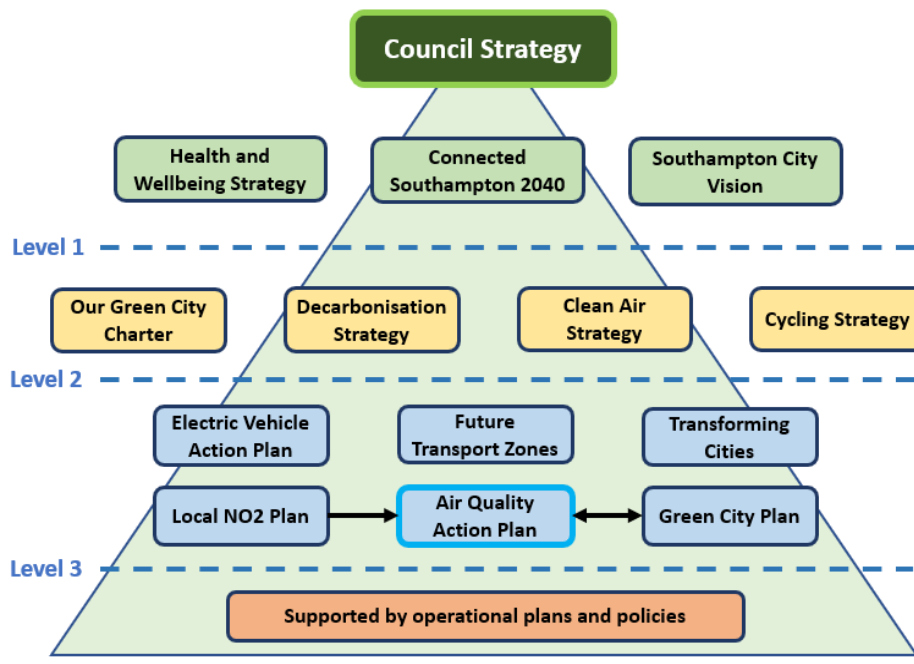
SCC's first AQAP was published in 2008 with further reviews in subsequent years.

Progress against the AQAP reporting of monitoring data is presented to Defra annually through Southampton City Council’s Annual Status Reports. These are available using the following link: [Southampton's statutory air quality reports.](#)



Since then, the air quality agenda has quickly grown in importance nationally and locally. The following section sets out the policies and strategies the council already have in place, the action this has delivered, and how this links with this updated AQAP.

The diagram below sets out Southampton City Council policy relevant to the Air Quality Action Plan. The following pages provide more information on current key policy relevant to air quality.



Clean Air Strategy for Southampton 2019-25

- Our Clean Air Strategy was published in 2016 and updated in 2019 subsequent to The Local NO2 Plan. It sets out our board approach to improving air quality in the city, including key principles, priority areas and commitments up to 2025.
- The four priority areas of the strategy are:
 - *Improving air quality in the city*
 - *Supporting businesses and organisations*
 - *Collaborating with communities and residents*
 - *Promoting sustainability*
- The measures we implement as part of this plan and others will be steered by the content of the Clean Air Strategy.

Air Quality Action Plan

- Since 1995 The Council has identified 10 AQMAs (located in section 1.6.2), all of which have been declared for Nitrogen Dioxide, mostly emitted from road vehicles queuing at key junctions.
- Following the declaration of Southampton's first AQMAs, our first AQAP was published in 2008 which sets out The Council's commitment to working towards compliance with air quality objectives.
- This document represents the latest update to Southampton City Council's AQAP - *it aims to restate and increase the commitment The Council has to achieve compliance with air quality standards, and work towards continual improvement in the city's air quality over the next 5 years.*
- This plan will be updated regularly to ensure it remains up to date and in line with the council's priorities.
- Progress on the measures presented in action plans and monitoring data is reported on yearly through Annual Status Reports.

The Local NO₂ Plan / Non-charging Clean Air Zone

- We were one of the first five local authorities required by central government to assess whether a charging Clean Air Zone was required to meet the Nitrogen Dioxide air quality limit set by the 'Ambient Air Quality Directive'.
- An extensive feasibility study and consultation exercise was conducted which identified that a charging zone would not be needed to meet these limits.
- Instead, a series of non-charging measures ('The Local NO₂ Plan') was proposed and accepted by central government to ensure compliance, without the limitations posed by a charging scheme.
- Since the ministerial direction was received in March 2019, SCC has been implementing the measures in accordance with the plan.
- The Local NO₂ Plan is undergoing a process of evaluation to ensure the plan has delivered it's aims and that compliance with the directive can be maintained.
- More detail on the outcomes of the NO₂ Plan and what it means for compliance and this AQAP update is provided in section 3.2.

Local Transport Plan - Connected Southampton 2040

- Our third Local Transport Plan was published in March 2019 and sets out our high-level, long-term approach to improving transport in the city until 2040. One of the key goals aims to improve the quality of Southampton's planned space and environment. It highlights the need to make the city centre a liveable place, to encourage individuals to walk and cycle more often and to move Southampton towards becoming a zero-emission city.
- As per Defra guidance, the AQAP will continue to be integrated with the LTP as road traffic emissions remain the greatest source for pollutants of concern.

Our Green City Plan

Through the Green City Charter, The Council has set itself ambitious goals to work towards a cleaner, greener, healthier, and more sustainable city. In March 2020, The Council announced our Green City Plan which identifies the outcomes and activities we want to achieve in the next three years. One of the five themes is 'Delivering Clean Air' which builds on The Council's existing plans and strategies. A key commitment of this theme is to look beyond compliance with objectives and strive to achieve continual improvements in air quality for the benefit of public health.

- *"We want to be carbon neutral by 2030"*
- *"We will reduce emissions and aspire to satisfy World Health Organisation air quality guideline values. By 2025 we want to see nitrogen dioxide levels of 25 µg/m³ as the norm"*
- *"We will take actions that will improve quality of life in our city. We want the Healthy Life Expectancy Indicator to be the best amongst our peers and to remove the difference cities like Southampton experience with rural areas in terms of deaths attributed to air pollution"*

The Charter aims to understand and take advantages of benefits between different council initiatives. As a notable example, measures to reduce emissions of pollutants will almost always help reduce carbon emissions and The Council's contribution towards tackling climate change.

1.6.3. Projects implemented to date

National and local policy has shaped a large number of projects which has helped improve air quality in Southampton. A current list of these projects is available in section 3.1.

This list of projects is updated yearly as part of SCC's Annual Status Reports which are publicly available at [Southampton's statutory air quality reports](#).

1.7. Reductions required and AQMAs

1.7.1. Air Quality Standards

Before the COVID19 pandemic, air quality in the city met all relevant air quality standards with the exception for the annual average concentration of NO₂ where exceedances persist in certain areas.

There are two types of air quality standard we need to meet:

- Limit and target values under the Ambient Air Quality Directive
- UK National Air Quality Objectives

Levels in the city are compliant with all objective and limit values, other than the annual average level for Nitrogen Dioxide (NO₂)

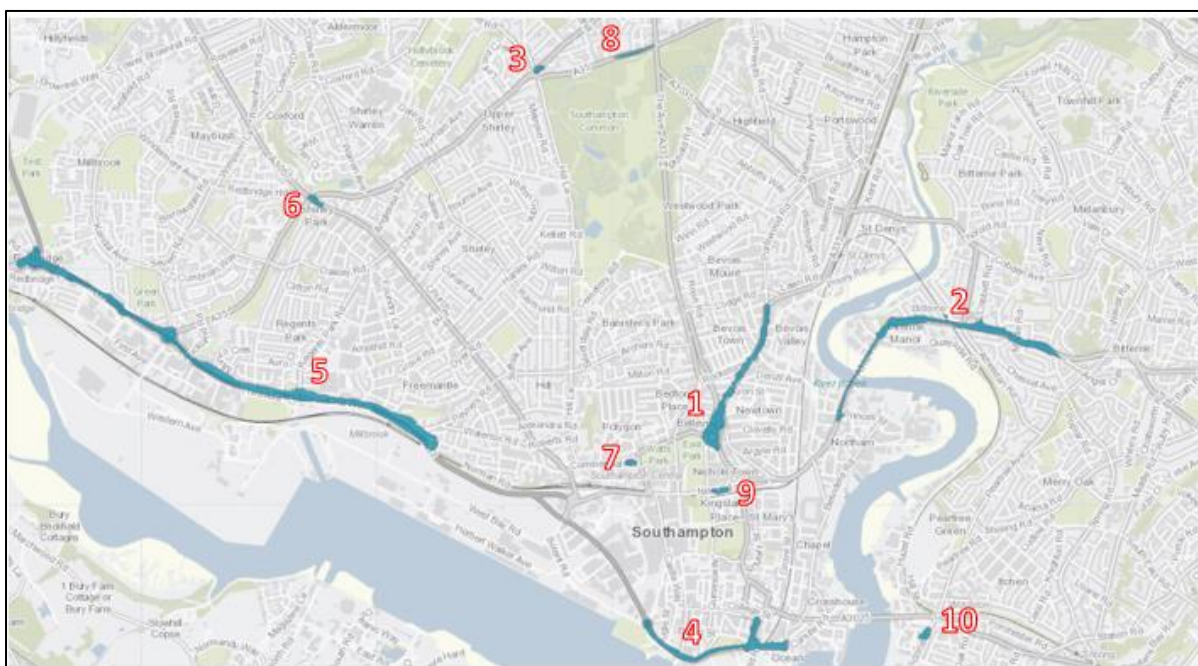
The World Health Organisation also provides guideline values. These are not levels which government are required to meet but help guide where further action is needed.

Through its ambition to achieve continual improvements in local air quality, SCC is working towards these guidelines through actions presented in this AQAP.

Pollutant	UK Objectives	EU Limits	2021 WHO guidelines	Average period
PM ₁₀	50 µg/m ³ not to be exceeded more than 35 times a year	50 µg/m ³ not to be exceeded more than 35 times a year	45ug/m ³	24 hour average
	40 µg/m ³	40 µg/m ³	15ug/m ³	Annual average
PM _{2.5}	20 ug/m ³	25 ug/m ³	5 ug/m ³	Annual average
	N/A	N/A	15 ug/m ³	24 hour average
NO ₂	200 µg/m ³ not to be exceeded more than 18 times a year	200 µg/m ³ not to be exceeded more than 18 times a year	N/A	1 hour average
	40 ug/m ³	40 ug/m ³	10 ug/m ³	Annual average
O ₃	100 µg/m ³ not to be exceeded more than 10 times a year	Target of 120 ug/m ³ not to be exceeded by more than 25 times a year averaged over 3 years	100 µg/m ³	8 hour average

1.7.2. Southampton's Air Quality Management Areas

Southampton has 10 AQMAs, all of which have are established for exceedances the pollutant Nitrogen Dioxide, principally as a consequence of queuing road vehicles.



AQMA Number	AQMA Name
1	Bevois Valley Road
2	Bitterne Road West
3	Winchester Road
4	Town Quay
5	Millbrook and Redbridge Road
6	Romsey Road
7	Commercial Road
8	Burgess Road
9	New Road
10	Victoria Road

Figure 4 Current locations of the Southampton's 10 Air Quality Management Areas

1.7.3. Air Quality Monitoring

The Council monitors air quality using a network of automatic monitoring stations and diffusion tubes which monitor a variety of pollutants across the city. More information on these monitors and data access is available at [Monitoring and reporting \(southampton.gov.uk\)](https://www.southampton.gov.uk).

Nitrogen dioxide

NO₂ data for these monitors in the AQMAs is presented below from 2012.

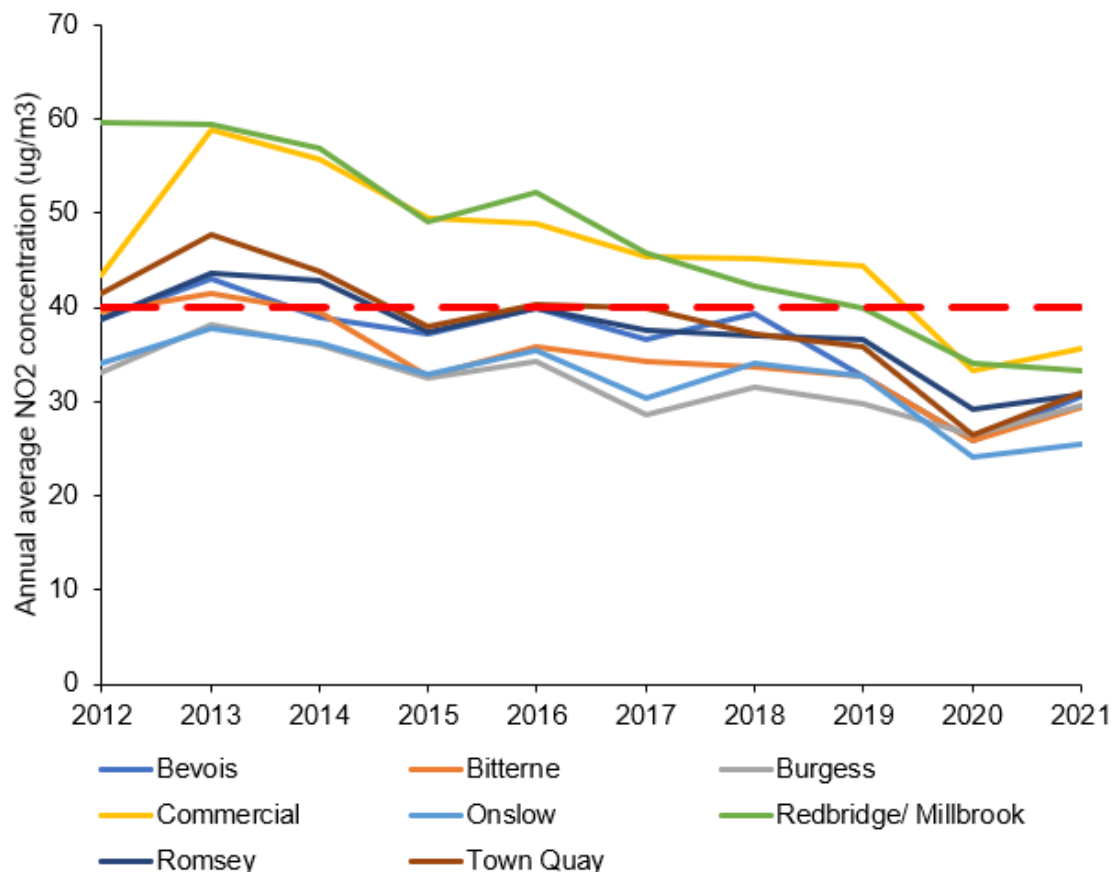


Figure 5 Annual average NO₂ concentrations between 2012 and 2020 from diffusion tubes which record the highest concentrations in AQMAs which were installed from 2012. The dashed red line represents the statutory air quality standard for Nitrogen Dioxide.

Figure 5 shows a steady improvement in air quality. Between 2012 and 2019 we've seen about a 14% reduction in concentrations of NO₂ in the key areas of the city. Following this improvement, air quality objectives has been achieved for several AQMAs.

Improvements monitored are a result of several factors, including positive impact from projects The Council has implemented as well as national improvements in vehicle standards.

There is a lot of variation in levels between years largely due to the influence of weather. In more windy years, pollution levels can be a lot lower as pollution is dispersed more easily compared to years with less wind.

Compliance in all AQMAs was achieved for the first time since monitoring began in 2020, largely a result of the response to the COVID19 pandemic which disrupted normal traffic patterns. Further information on the impact of COVID19 and early lockdowns on air quality is available at: [Air quality during lockdown \(southampton.gov.uk\)](https://www.southampton.gov.uk/air-quality-during-lockdown).

While we have seen a steady improvement in air quality over the last decade and several AQMAs have met all air quality objectives for several years. The Council remains committed to implementing measures to ensure compliance is maintained and working towards continual improvement in the city's air quality.

No Air Quality Management Areas have been revoked thus far. If monitoring shows that these lower levels are likely to be maintained into the medium to long term following the COVID19 pandemic, this will be considered and carried out in line with Defra requirements and guidance.

Monthly average NO₂ data from the A33 automatic monitoring station is presented below. This illustrates the typical monthly variations in NO₂ levels, and how levels have changed over the last few years since COVID19 as a result of changes to the way people live and work.

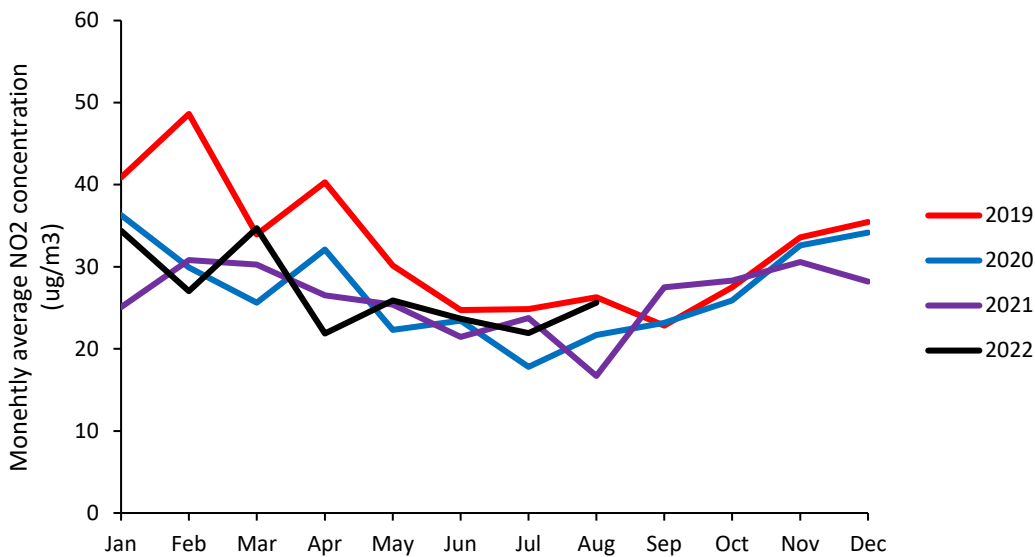


Figure 6 Monthly average NO₂ concentrations monitoring at the A33 monitoring station 2019-2022. Data until the end of August 2022 was only available at the time of writing.

This graph demonstrates that concentrations of NO₂ reduced substantially from 2019 to 2020. While there is some variation, levels since 2020 have not re-bounded fully to 2020 concentrations. Improvements in traffic flows have also been monitored on key links into the city since 2020 as a result of less traffic, contributing towards these improvements.

Particulate Matter

Particulate matter concentrations are monitored by two automatic monitoring stations in the city. Data from these monitors is presented below.

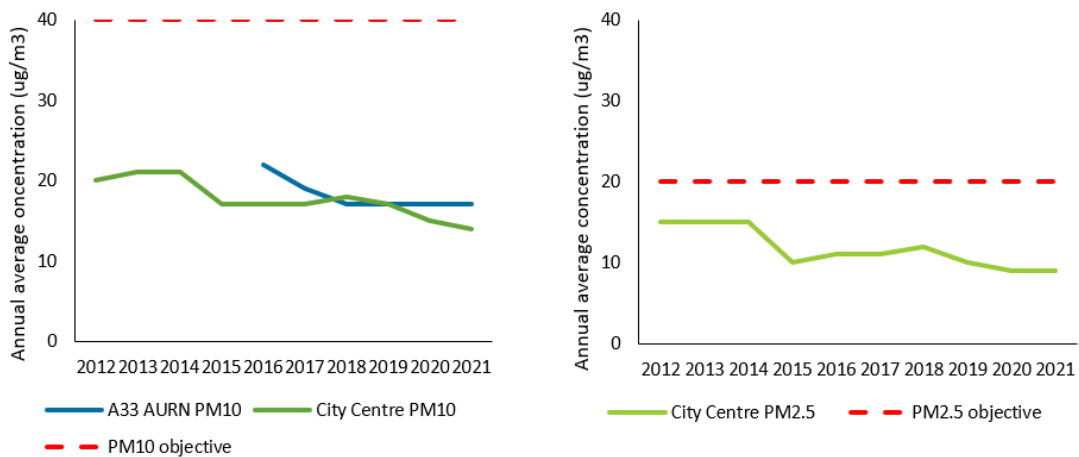


Figure 7 Annual average concentrations of PM₁₀ and PM_{2.5} monitored from the A33 and City Centre AURN automatic monitoring sites. The graph on the left illustrates PM₁₀ monitoring and its objective, the graph on the right illustrates PM_{2.5} monitoring and its objective.

Statutory objectives for PM continue to be met in the city. This is why air quality management measures have focussed on sources of NO₂ as the pollutant of highest concern for compliance.

Despite this, the council recognises that PM fractions, particularly PM_{2.5} and finer, are the pollutants with the greatest potential for damaging human health. New long term standards for this pollutant are also due to be adopted by Defra, including an exposure based standard.

Consequently, The Council is implementing measures which focus on key sources of PM, including the wood burning engagement campaign, with more planned under this plan. In addition, measures to make transport cleaner will not only reduce NO₂ concentrations, but also PM as transport is also a key source for this pollutant.

1.7.4. Improvements required

Moderate air quality improvements were required to secure compliance in several AQMAs in 2019. While these have now been secured, partly due to the COVID19 pandemic, they are presented below to indicate where improvement is most needed.

Table 1 Improvements needed to achieve air quality objectives in 2019

AQMA number and name	Reductions needed to meet air quality objectives for NO ₂ in 2019 (ug/m3)
AQMA 1 – Bevois Valley Road	6.5 (13.0%)
AQMA 2 – Bitterne Road West	0.7 (1.7%)
AQMA 3 – Winchester Road	Achieved in 2019
AQMA 4 – Town Quay	Achieved in 2019
AQMA 5 – Millbrook and Redbridge Road	0.1 (0.25%)
AQMA 6 – Romsey Road	Achieved in 2019
AQMA 7 – Commercial Road	4.5 (11.25%)
AQMA 8 – Burgess Road	Achieved in 2019
AQMA 9 – New Road	Achieved in 2019
AQMA 10 – Victoria Road	Achieved in 2019

1.8 Key Priorities

While a lot of work has been done to improve air quality to date, and we've seen concentrations steadily decline, The Council remains committed to seeing further improvements in air quality.

The Council has five key priority areas for where future work over the next five years will be focussed. These have been established with an understanding of key sources of pollution in the city, in line with our Clean Air Strategy and through engagement with residents and other stakeholders detailed in the following section.

Measures within these priority areas are mostly city-wide, strategic measures. These have the greatest potential to deliver improvements for the greatest number of residents.

1. Empowering Communities

Local residents should be engaged with the air quality challenge and empowered to be a part of efforts to improve air quality and protect their health.

The Council will aim to understand our community's concerns relating to air quality, and work with residents to address air pollution in their communities.

2. Supporting Businesses

The council understands that it can only do so much to improve local air quality on its own. Businesses have a large opportunity to help improve air quality by reducing emissions from their organisations.

Key businesses in Southampton include ABP, West Quay, University Hospital Southampton, and The University of Southampton.

The Council will encourage and incentivise cleaner business, including practices through this priority area.

3. Active and Sustainable Travel

Shifting to active or sustainable modes of travel is the best way to reduce emissions. The Council maintains its commitment to providing and enhancing services and infrastructure to help people walking, cycling, or using public transport.

The Council has already done a lot of work to increase rates of sustainable travel under other policy. Measures in this priority area will build on these successes.

4. Low and Zero Emission Vehicles

Improvements in technology have contributed to the large reductions in emission we've seen over the last few decades.

The uptake of hybrid and electric vehicles in recent years has led to large reductions in emissions. The Council will continue to accelerate the shift towards these lower emission vehicles through the incentives and infrastructure it can provide.

5. Monitoring and Planning

Improving our monitoring network and planning requirements to support other projects and ensure new developments align the aims of our action plan.

2. Development and implementation of Southampton City Council's AQAP

2.1 Consultation and Stakeholder Engagement

In developing this AQAP update we have worked with other local authorities, agencies, businesses, and the local community to improve local air quality. Schedule 11 of the Environment Act 1995 requires local authorities to consult a series of statutory consultees, listed in Table 3.

Table 1 sets out how we have engaged with different stakeholders to ensure the AQAP can align with the priorities of The Council and what further action residents want to see on air quality.

Table 2 List of stakeholder engagement events

Consultation	Stakeholders engaged	Duration
Internal consultation	SCC relevant officers including Steering Group	25 th May 2021 - 11 th June 2021 (2 weeks)
Engagement survey	Southampton residents and relevant public bodies	9 th September - 30 th September 2021 (3 weeks)
Councillor workshop	Cabinet Member for Environment and Cabinet Member for Growth	18 th January 2022
Officer workshop	Key officers relevant to projects	25 th April 2022 – 3 rd June 2022 (5 weeks)
Formal consultation	Southampton residents, consultees listed in Table 4.1.	June 16 th – 28 th July 2022 (6 weeks)

2.1.1 Engagement Survey

Results from the engagement survey with residents shaped where we will prioritise efforts to improve air quality.

Residents were most supportive of measures which would reduce emissions from the port, taxis, and freight, those which encourage active travel, and those which involve the planning process.

Groups of possible measures were presented to residents who were offered the opportunity to respond openly. Planning, active travel, cleaner buses, parking, and freight measures received the highest number of positive comments.

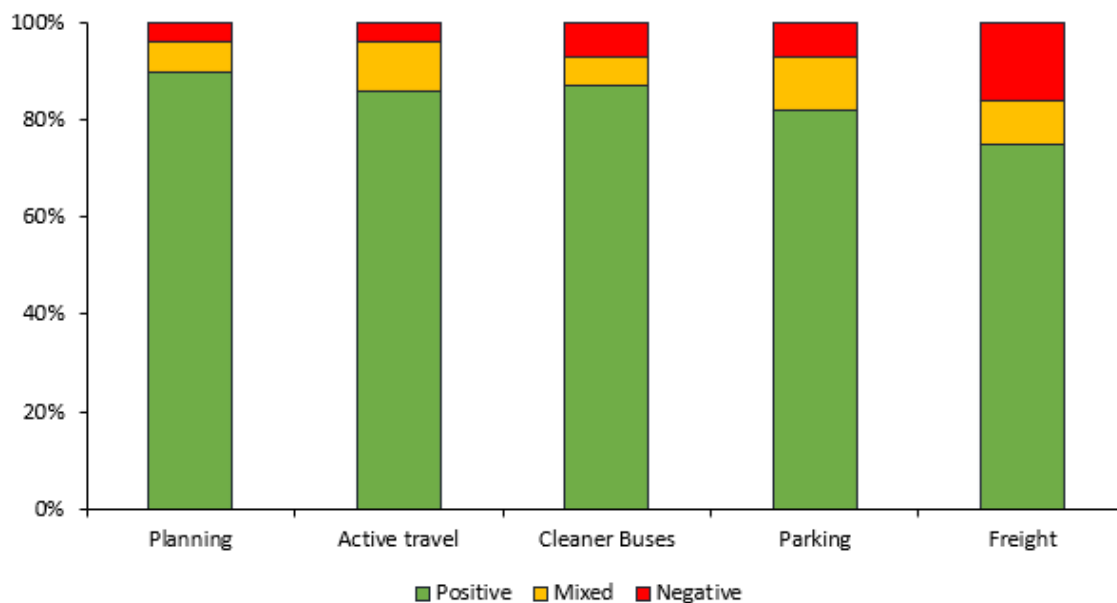


Figure 8 Percentage of positive, mixed, and negative comments for the most popular types of measure

New suggestions from residents were added to the final short list if they were identified as being cost-effective and feasible. The measures that residents were more supportive of were also prioritised in the shortlisting process.

2.1.2 Formal Consultation

The Council received responses from 128 residents through our statutory consultation culminating in 260 comments providing feedback on the proposed measures as well as suggestions for new ones. Responses largely centred around EV infrastructure, public transport, congestion, and cycling infrastructure. Members of the public were generally supportive of the plan with 78% of responders expressing their support.

The response to our formal 6-week public consultation engagement is given in Appendix 3 which provides a breakdown of suggestions from residents that have contributed to new and amended measures in the AQAP.

In addition, statutory consultees including Defra and The Environment Agency were engaged and feedback was incorporated into the final plan. Detail on this response is provided in Appendix 3.

Table 3 Statutory consultees engaged

Yes/No	Consultee
Yes	the Secretary of State
Yes	the Environment Agency
Yes	the highways authority
Yes	all neighbouring local authorities
Yes	other public authorities as appropriate, such as Public Health officials
Yes	bodies representing local business interests and other organisations as appropriate

2.1.3 Steering Group

A steering group of relevant council officers was established in the early stages of the development of this AQAP. This group was comprised of representative from the following SCC departments:

- Environmental Health
- Planning and planning policy
- Transport policy
- Economic development
- Sustainable transport
- Green City
- Public health

Three Steering group meetings were held over the course of the AQAP’s development. Through these meetings we were able to establish the key priority areas for the plan, ideas for new measures which weren’t previously captured in the long list, and the method of shortlisting measures presented in the long list.

Steering group members and other relevant officers also provided input on the draft shortlist through a series of officer workshops prior to the consultation on the draft AQAP.

This engagement helped ensure the priorities and measures proposed in the plan aligned with existing policy and projects in the council, and that existing projects which improve air quality are incorporated into the plan.

As well as the formal consultation, external consultees, including neighbouring local authorities and relevant public authorities, were also encouraged to complete the engagement survey.

2.1.4 Governance

The progress towards the implementation of projects under the Air Quality Action Plan will be overseen by members of the Green City Programme and Project Boards on a regular basis. Major risks and issues will be raised at these boards and escalated where needed to director and councillor level if necessary.

3 AQAP Measures

3.1 AQAP tables

The following table presents the new measures SCC plans to explore and implement over the next 5 years.

Measures have been shortlisted based on:

- Source apportionment data which provides an understanding of the main sources of pollution and where efforts should be focussed.
- Consultation with residents through an initial public engagement exercise the results of which are set out in section 1.8.1.
- The response from the full consultation from residents, businesses, and statutory consultees the breakdown to which is presented in Appendix 3.
- The potential for air quality measures to deliver co-benefits for other environmental agendas including climate change and nature, and other socio-economic factors including potential to alleviate deprivation.

The full shortlisting method is presented in Appendix 2.

The following table provides an effectiveness score for each measure. These indicate the potential of the measure to reduce the impact of air pollution on residents. Measures with an effectiveness score of 1 are likely to have no or a slight positive impact on air quality, 2 is moderate and 3 is substantial potential to positively impact air quality.

The ‘Social and environmental co-benefits’ column also provides an indication of how these measures deliver benefits across other agendas. These include:

- CO₂ – The measure has the potential to reduce emissions of CO₂, helping mitigate the impacts of climate change.
- Noise – The measure has the potential to reduce the impact of noise, by reducing the creation of noise (e.g. encouraging electric vehicles), or by reducing exposure (e.g. encouraging residents to avoid main roads).

- Health inequalities – The measure has the potential to help alleviate health inequalities by targeting improvements in areas or demographics who are more at risk of the impacts of air pollution, or other co-morbidities.
- Active travel - The measure encourages walking and cycling, improving health and wellbeing of residents.
- Biodiversity – The measures has the potential to help support the city’s green spaces and protected species.

The most cost-effective and feasible projects, and those with high potential for delivering co-benefits, will be prioritised when choosing which projects to deliver with any existing funding, and when applying for future grants.

NB: Please see future ASRs for regular annual updates on implementation of these measures, as well as measures which are already underway.

Measure no.	Measure	Estimated Year Measure to be Introduced	Estimated / Actual Completion Year	Organisations Involved	Funding Source	Funding Status	Estimated Cost of Measure	Measure Status	Effectiveness score (1-3)	Social and environmental co-benefits	Progress to Date
Empowering communities											
1	Air Quality Schools Engagement Programme to reduce the impact of pollution on pupils	2023	2025	SCC, schools	Defra air quality grant funding	Funded	100k - 500k	Implementation	2	Health inequalities, noise	Grant received and beginning implementation.
2	Indoor air quality engagement programme	2023	2024	SCC, Public Health	Internal existing funding	Funded	<10k	Planning	1	Health inequalities, noise	Planning phase
3	Public health campaign in collaboration with healthcare professionals focussing on vulnerable individuals	2024	2026	SCC	Internal existing funding	Funded	<10k	Planning	1	Health inequalities, noise	Planning phase
4	Encourage UHS and GPs to incorporate air quality information into advice to patients	2023	Ongoing	SCC, UHS	Internal existing funding	Funded	<10k	Planning	1	Health inequalities, noise	Planning phase
5	Enhanced public outreach and engagement in National Clean Air Days	2023	Ongoing	SCC, Global Action Plan	Internal existing funding	Funded	<10k	Planning	1	CO ₂ , active travel	Planning phase
6	Further integrate air quality considerations in workplace and schools travel planning	2023	Ongoing	SCC, Schools, Workplaces	Internal existing funding	Funded	<10k	Implementation	1	CO ₂ , active travel	Underway as part of workplace travel planners network.
7	Implement an SCC staff engagement programme	2023	2023	SCC	Internal existing funding	Funded	<10k	Planning	1	CO ₂ , active travel	Planning phase
8	Use public health data to assess vulnerability to air quality issues	2023	Ongoing	SCC, Public Health	To be determined	Not yet funded	10k - 50k	Planning	1	Health inequalities	Planning phase
9	Map local concerns for air quality onto air quality monitoring and modelling data	2024	Ongoing	SCC, community groups	Defra Air Quality Grant	Funded	10k-50k	Planning	1	Health inequalities	Planning phase
10	Support residents in making their homes more energy efficient	2022	2025	SCC, The Environment Centre	Healthy Homes funding	Funded	>1m	Implementation	1	CO ₂	Healthy homes scheme operational in Southampton
11	Extend and enhance the wood burning engagement project	2024	2025	SCC, The Environment Centre	Defra Air Quality Grant, Local NO ₂ Plan funding	Funded	10k-50k	Planning	1	CO ₂	Planning phase
12	No-idling campaign and signage	2023	2023	SCC	Defra Air Quality Grant	Funded	10k-50k	Implementation	1	CO ₂	Signage to be installed early 2023
13	Work with University Hospital Southampton to support their new 'Green Plan'	2023	Ongoing	SCC, UHS	Internal existing funding	Funded	<10k	Planning	1	CO ₂ , health inequalities	Planning phase
Supporting Businesses											
14	Investigate implementing a freight quality partnership for key operators as part of a wider Green City programme	2024	Ongoing	SCC, partnership members	To be determined	No yet funded	<10k	Planning	2	CO ₂	Planning phase
15	Continue to support The Port of Southampton in delivering their Cleaner Air for Southampton strategy, including investigating more	2023	Ongoing	SCC, ABP	Internal existing funding	Funded	10k - 50k	Implementation	2	CO ₂	The Port of Southampton currently has two operational shore-side power

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	opportunities for shore-side power.										connections and is investigating options for future connections.
16	Explore opportunities to enhance the industrial pollution permitting process	2023	2024	SCC, Environment Agency	Internal existing funding	Funded	<10k	Planning	2	-	Planning phase
17	Enhance port based booking system to encourage lower emission lorries into the port	2023	Ongoing	SCC, DPworld	To be determined	Not yet funded	10k-50k	Planning	2	-	Planning phase
18	Enhance the Sustainable Distribution Centre, providing further support for organisations to make their deliveries cleaner more efficient	2023	2025	SCC	Defra Air Quality Grant, Local NO ₂ Plan funding	Not yet funded	500k - 1m	Planning	2	CO ₂	Planning phase
19	Promote benefits of flexible and home working within SCC and partner organisations	2023	Ongoing	SCC	Internal existing funding	Funded	<10k	Implementation	1	CO ₂	Underway as part of workplace travel planners network.
20	Promote the use of train lines for freight and advocate for further electric rail infrastructure through on Southampton lines	2023	Ongoing	SCC, National Rail	Internal existing funding	Funded	<10k	Planning	1	CO ₂	Planning phase
21	Identify and enforce routes for lorries to improve efficiency of journeys and reduce impacts on residential areas	2023	Ongoing	SCC	To be determined	Not yet funded	10k-50k	Planning	1	CO ₂ , noise	Planning phase
22	Implement additional air quality requirements in SCC's procurement policy	2023	2023	SCC	Internal existing funding	Funded	<10k	Planning	1	CO ₂	Planning phase
Active and Sustainable Travel											
23	Identify further opportunities for better pedestrian infrastructure including Active Travel Zones	2023	2025	SCC	To be determined	Not yet funded	50k - 100k	Planning	2	CO ₂ , active travel	Planning phase
24	Advocate for more frequent train services through Southampton and work with National Rail to encourage more travel within the city	2024	2027	SCC, National Rail	To be determined	Not yet funded	<10k	Planning	2	CO ₂	Planning phase
25	Supporting shared micromobility by providing rental manual bikes, e-bikes, and cargo bikes for residents	2022	2025	SCC	Future Transport Zones	Funded	>1m	Implementation	2	CO ₂ , noise, active travel	Scheme launched in Southampton for a long-term trial
26	Identify and promote cleaner walking routes for residents in travel planning and communications	2023	Ongoing	SCC, MyJourney	To be determined	No yet funded	<10k	Planning	1	Noise	Planning phase
27	Investigate increased availability of the park and ride for key events	2022	2024	SCC	To be determined	Not yet funded	100k - 500k	Planning	1	CO ₂	Planning phase
28	Encourage lift sharing schemes for workplaces	2022	Ongoing	SCC	Internal existing funding	Funded	<10k	Implementation	1	CO ₂	Underway as part of workplace travel planners network.

29	Explore offering subsidised public transport during match days or busy cruise days	2024	2024	SCC	To be determined	Not yet funded	100k - 500k	Planning	1	CO ₂	Planning phase
30	Support implementation of a regional mobility app to help people make sustainable multi-modal journeys	2022	Ongoing	SCC, Future Transport Zone partners	Future Transport Zones	Funded	100k - 500k	Implementation	1	CO ₂ , noise, active travel	Early access app available for public access in 2023
31	Work with bus operators to identify where cleaner buses can be re-routed through areas with poorer air quality	2023	2027	SCC, bus operators	Internal existing funding	Funded	<10k	Planning	1	-	Planning phase
Low Emission Vehicles											
32	Enter a partnership or concessions arrangement with a provider to deliver a step change in EV infrastructure in the city	2023	Ongoing	SCC, partner organisation	Internal funds, LEVI funding	Partly funded	500k - 1m	Planning	3	CO ₂ , noise	Planning phase
33	Further develop long term plans for mass transit in the city	2027	Ongoing	SCC	To be determined	Not funded	>1m	Planning	3	CO ₂	Planning phase
34	Investigate implementing a low emission zone in the city centre	2024	2025	SCC	Capability Fund	Not yet funded	500k - 1m	Planning	3	CO ₂ , noise	Planning phase
35	Develop planning guidance and requirements for electric vehicle charging in new developments	2023	2024	SCC	Internal existing funding	Funded	<10k	Implementation	2	CO ₂ , noise	Currently in development.
36	Explore further opportunities for incentivising taxi drivers to switch to a cleaner vehicle	2023	2024	SCC	To be determined	Not yet funded	100k - 500k	Planning	2	CO ₂ , noise	Planning phase
37	Intelligent traffic and emissions management systems which respond to air quality and traffic data including messaging	2024	2025	SCC	Defra air quality grant funding	Funded	100k - 500k	Planning	2	CO ₂ , noise	Planning phase
38	Investigate parking incentives for lower emission vehicles	2023	2025	SCC	Internal existing funding	Not yet funded	10k - 50k	Planning	2	CO ₂ , noise	Planning phase
39	Install on-street chargers and more chargers outside of the city centre.	2023	2026	SCC	Internal existing funding	Partially Funded	100k - 500k	Planning	2	CO ₂ , noise	Planning phase
40	Electric Vehicle strategy for the city setting out how future demand for EVs will be met	2023	2023	SCC	Internal funds	Funded	<10k	Planning	2	CO ₂	Planning phase
41	Discounted electric taxi and van leasing scheme including rapid chargers and driver support	2022	2025	SCC, Hampshire Local Authorities, Electric Blue Charging	ERDF funding	Partly funded	>1m	Implementation	2	CO ₂ , noise	Scheme launched. In current state due to close Spring 2023
42	Investigate launching an 'ECO Stars' taxi recognition scheme or quality partnership for taxis	2024	2025	SCC	To be determined	Not yet funded	10k - 50k	Planning	1	CO ₂ , noise	Planning phase
43	Investigate a fleet accreditation scheme to improve the efficiency of SCC's HGV fleet	2023	2025	SCC	To be determined	Not yet funded	10k - 50k	Planning	1	CO ₂ , noise	Planning phase

44	Procure more Electric Vehicles in the SCC fleet and charging infrastructure	2023	Ongoing	SCC	Internal existing funding	Partially Funded	500k - 1m	Implementation	1	CO ₂ , noise	Southampton Council has installed around 29 chargers for its fleet of 40 EV vans
45	Use bus lane restrictions to stimulate further improvements in taxis and private hire vehicle emissions	2024	2025	SCC	Internal existing funding	Not yet funded	<10k	Planning	1	CO ₂ , noise	Planning phase
46	Encourage uptake of electric cars clubs in SCC and the wider city	2024	2026	SCC	To be determined	Not yet funded	10k - 50k	Planning	1	CO ₂ , noise	Planning phase
Planning and Monitoring											
47	Review opportunities for enhanced air quality planning requirements in pollution hotspots	2023	2024	SCC	Internal existing funding	Funded	<10k	Planning	3	CO ₂ , noise, health inequalities	Planning phase
48	New requirements for non-road mobile machinery and stationary generators in planning policy	2023	2024	SCC	Internal existing funding	Funded	<10k	Planning	2	CO ₂	Planning phase
49	Require air quality assessments for major council transport projects	2024	Ongoing	SCC	Internal existing funding	Not yet funded	10k - 50k	Planning	2	CO ₂	Planning phase
50	Assess opportunities to improve the layout of Shirley Highstreet to reduce congestion and improve air quality	2025	2027	SCC	To be determined	Not yet funded	500k - 1m	Planning	2	CO ₂	Planning phase
51	Strict requirements for indoor air quality standards in new developments	2025	Ongoing	SCC	None required	N/A	<10k	Planning	2	CO ₂ , noise	Consultation on new indoor air quality standards as part of The Local Plan process
52	Locate green infrastructure including hedges and green walls where it can reduce exposure to air quality	2023	Ongoing	SCC	Internal existing funding	Funded	<10k	Planning	1	Biodiversity, CO ₂ , noise	Planning phase
53	Ensure relevant council decisions and policy are in line with AQAP and Clean Air Strategy priorities	2023	Ongoing	SCC	Internal existing funding	Funded	<10k	Planning	1	CO ₂	Planning phase
54	Implement further air quality monitoring in and around University Hospital Southampton	2022	2025	SCC, UHS	Defra air quality grant funding	Funded	10k - 50k	Implementation	1	-	Low cost monitors being procured.
55	Investigate options for requiring more funding for air quality projects from developers through Section 106 agreements	2023	2024	SCC	Internal existing funding	Funded	<10k	Planning	1	CO ₂	Planning phase
56	Enhance enforcement of Smoke Control Areas	2023	2024	SCC	Internal existing funding	Partially Funded	10k - 50k	Planning	1	CO ₂	Planning phase

57	High-tech, low-cost monitors and modelling to better understand local air quality issues	2022	2024	SCC	Defra air quality grant funding	Funded	100k - 500k	Implementation	1	-	Funding received and monitors procured.
58	Investigate potential for restricted parking and waiting zones	2025	2025	SCC	To be determined	Not yet funded	10k - 50k	Planning	1	CO ₂ , noise	Planning phase
59	Explore opportunities for more air quality monitoring stations	2026	Ongoing	SCC, Defra	To be determined	Not yet funded	500k - 1m	Planning	1	-	Planning phase
60	Continue to work with the city's universities to integrate expertise and new research into measures	2023	Ongoing	SCC, UoS	None required	N/A	<10k	Implementation	1	-	Engaging relevant contacts at the universities on upcoming projects including schools engagement

The following table presents measures which have been implemented or are currently being implemented.

Measure no.	Measure	Estimated Year Measure to be Introduced	Estimated / Actual Completion Year	Organisations Involved	Funding Source	Funding Status	Estimated Cost of Measure	Measure Status	Effectiveness score (1-3)	Social and environmental co-benefits	Progress to Date	
Empowering communities												
1	Wood Burning Engagement Programme	2021	2021	SCC, the environment centre	Defra AQ fund	Fully funded	50k-100k	Implementation	2	CO ₂	Wood burning campaign launched in 2020 and has since been successful in engaging residents across Hampshire and helping them burn less and better.	
2	National Clean Air Day	2018	Ongoing	SCC, Global Action Plan	Internal, Defra grant	Fully funded	100k-300k	Complete	1	CO ₂ , active travel	SCC continues to promote clean air action annually through national clean air day.	
3	airAlert	2010	Ongoing	SCC	Internal	Fully funded	10k-50k	Implementation	1	-	Air quality alerts continuing to be delivered through 'Southampton Air' monitoring website.	
4	No-idling campaign	2018	2018, 2022	SCC	Defra AQ fund, Internal	Fully funded	10k-50k	Implementation	1	CO ₂	Campaign held in February - May 2018. Campaign to be renewed in 2022 and to be supported by anti-idling signage.	
6	Website and other council communications	2017	Ongoing	SCC	Internal	Fully funded	N/A	Complete	1	-	Ongoing website updates and promotion	
Supporting Businesses												
Page 57	7	Sustainable Consolidation Centre	2014	2022-2029 (dependent on funding)	SCC, JAQU	Implementation Fund	Fully funded	100k-500k	Implementation	2	CO ₂	Freight consolidation, delivery and service planning and fleet accreditation measures implemented under Local NO ₂ Plan. Planning stages of freight consolidation centres and 5 delivery and service plans underway. Sustainable Distribution Centre contract in place with Meachers Global Logistics.
	8	Shore-side power for cruise ships	2019	2020-21	SCC, ABP	Solent Local Enterprise Partnership	Fully funded	>1m	Implementation	2	CO ₂	Two shore side connections installed and operational for cruise ships, one at Horizon cruise terminal and another at Mayflower cruise terminal.
	9	Port booking scheme to incentivise low emission trucks	2020	Ongoing	ABP, DP world	N/A	None required	N/A	Implementation	2	CO ₂	Port booking system established including ANPR cameras, charging more polluting vehicles more for delivery slots.
	10	Delivery and Service Plans for key public authorities	2017	2018-21	SCC	Future Transport Zones fund	Partially funded	100k-500k	Implementation	2	CO ₂	Funding received for DSPs as part of The Local NO ₂ Plan. 9 DSPs delivered to organisations including the city's universities and the port demonstrating how deliveries can be made more efficient.

11	Workplace and School Travel Planning	2010	Ongoing	SCC	Active travel Fund, Access Fund, Internal	Fully funded	100k-500k	Implementation	2	CO ₂ , active travel	89 organisations engaged including over 140,000 staff in review of Travel Action Plan (TAP) and delivering projects to encourage active and sustainable commutes. Workplace surveys show that the proportion of those using active travel (walking & f) for commuting has increased to 22.3% in 2020.
12	Support ABP's 'Cleaner Air for Southampton' strategy	2023	2023	Associated British Ports Southampton	Internal	Fully funded	N/A	Implementation	1	CO ₂	ABP supported in developing a port emissions inventory for the Clean Air Zone feasibility study. ABP have published their own Clean Air Strategy listing 19 measures that they aspire to implement by 2023.
13	Clean Air Network'	2018	Ongoing	SCC, key city businesses and communities	Internal	Fully funded	N/A	Complete	1	CO ₂	Clean Air Network launched during Local NO ₂ Plan development to encourage collaboration between businesses.
14	Taxi telematics scheme	2019	2019-21	SCC	Implementation Fund	Fully funded	10k-50k	Complete	1	CO ₂	52 taxis installed with telematics devices and reports produced highlighting benefits of switching to an EV and where chargers are needed.
Active and Sustainable Travel											
15	Transforming Cities	2020	2025	SCC, Hampshire County Council	Transforming Cities Fund	Fully funded	>1m	Implementation	3	CO ₂ , noise, active travel	£5.7m awarded in January 2019 as part of Tranche 1 and a further £57m in March 2020 in Tranche 2 to deliver a series of ambitious large scale transport projects to ease congestion and improve active and sustainable travel in the city.
16	Future Transport Zone	2021	2024	SCC and Solent Transport, Funded by DfT	Future Transport Zones	Fully funded	>1m	Implementation	3	CO ₂ , noise	Bid successful for £28m of funding across the wider Solent region to invest in innovative transport projects to tackle congestion.
17	E-Scooter hire scheme	2021	2022	SCC and Solent Transport, Funded by DfT	Future Transport Zones	Fully funded	>1m	Implementation	3	CO ₂ , noise	E-Scooter hire scheme established. Between March 2021 - November 2022 : 1300 scooters available across 200 parking zones, 40,000 unique users identified, ~126t CO ₂ e saved
18	MyJourney	2017	2021	DfT, SCC, Hampshire County Council, Portsmouth City Council, Eastleigh Borough Council	Active Travel Fund, Access Fund, Transforming Cities Fund	Fully funded to date	100k-500k	Implementation	3	CO ₂ , active travel, noise	MyJourney as an ongoing programme continues to engage with hundreds of residents, helping them shift to active and sustainable modes of travel.
19	Southampton Cycle Network	2013	2027	SCC	Early Measures Funding, Active Travel Funding	Partially funded	>1m	Implementation	3	CO ₂ , active travel, noise	SCC has committed to building 9 Southampton Cycle Network (SCN) routes providing a comprehensive network across Southampton.

20	Millbrook Roundabout A33/ A35 Capacity	2017	Complete.	SCC, DfT	DfT Maintenance Challenge Fund	Fully funded	>1m	Complete	2	CO ₂	Scheme to improve capacity at A33/A35 Millbrook roundabout at the Redbridge Road/Millbrook Road AQMA on the Western Approach with anticipated benefits for air quality was completed in April 2019.
21	Bus Priority measures	2015	2021	SCC	Transforming Cities Fund	Fully funded	10k-50k	Implementation	2	CO ₂	Bus priority programme in progress with 42 junction improvements identified continue to be delivered. Junction improvements and virtual priority measures along A3024 between Botley Road and Bitterne Road East were complete December 2019. Measures along Portswood Road to be developed as part of multi-modal study in 2020.
22	Port Rail terminal extension	2019	2021	Network Rail, ABP	National Rail funds	Fully funded	>1m	Complete	2	CO ₂	New sidings track installed to increase speed limit and improve efficiency allowing more freight to be transported by rail and not on lorries.
23	Active Travel Zones'	2020	2022	SCC	Transforming Cities Fund, Active Travel Fund	Fully funded	>1m	Implementation	2	CO ₂ , active travel, noise	Implementation underway in first ATZ in St Denys. Consultation on St Mark's school ATZ now underway. Further planning for future zones dependent on outcomes of previous.
Page 59 24	M27/M3 Travel Demand Management Project	2019	2021/22	SCC, Portsmouth City Council, Hampshire County Council, Highways England	Highways England contribution	Fully funded	>1m	Implementation	2	CO ₂ , active travel, noise	£1.7 m funding awarded by Highways England to SCC and other partners to mitigate impacts of smart motorways on congestion by encouraging residents to use alternative modes of travel.
Low Emission Vehicles											
25	Low Emission Taxi Incentive Scheme	2016	2021	SCC, Eastleigh Borough Council, Defra AQ Grant	Clean Air fund, Defra AQ Grant	Fully funded	100k-500k	Completed	3	CO ₂ , noise	Over 200 grants provided to Southampton taxi and private hire drivers to upgrade older vehicles to hybrids and electric. Largely thanks to this scheme, over 52% of the fleet in Southampton are hybrid or electric.
26	Bus retrofit programme	2019	2020	SCC, DfT/JAQU	Clean Bus Technology Fund	Fully funded	>1m	Complete	3	-	Clean Bus Technology Fund bid successful. All 145 non-Euro VI buses retrofitted to Euro VI equivalence - all buses in the city now meet the standard.

27	Local NO2 Plan	2019	2023	SCC, Defra, JAQU, DfT, New Forest District Council.	Clean Air Fund and Implementation Fund	Funded	>1m	Implementation	3	CO ₂ , noise, active travel	Feasibility study and consultation complete. Full Business Case approved by Defra to implement a non-charging CAZ, also known as the Local NO ₂ Plan valued in total at £1.8m. The plan is currently being finalised for close in 2022, having been delivered largely to specification, in line with central government's expectations. SCC is currently working with central government to evaluate the effectiveness of the plan.
28	Quality bus partnership agreement and minimum emission standards for buses	2020	2021	SCC, Local bus operators, DfT	Implementation Fund, Transforming Cities Fund	Funded	>10k	Planning	2	CO ₂	The Quality bus partnership agreement will require vehicles to meet Euro VI equivalent diesel standards in order to use the bus priority network in the city. The agreement will be adopted and funded through SCC and Hampshire County Council's Transforming Cities work.
29	Electric Vehicle Action Plan (EVAP)	2017	2019/20	SCC, DfT	Internal	Partially funded	100k-500k	Implementation	2	CO ₂ , noise	Through the plan, SCC has installed over 50 publicly accessible electric vehicle recharging points. Including two rapids and 4 on street charge points.
30	Taxi licensing conditions	2019	2019/20 (phase 1), 2022/23 (phase 2)	SCC	Internal	Fully funded	N/A	Implementation	2	CO ₂	Newly licensed vehicles must meet Euro 6 diesel/4 petrol by 2020 and relicensed vehicles will need to meet this standard from 2022. By 2023 all vehicles will meet the standard.
31	Eastern Access Highway Scheme	2020	Q4 2022	SCC, DfT, Highways England	National Productivity Investment Fund	Fully funded	>1m	Complete	2	CO ₂	Package of junction improvement measures to ease congestion and encourage active travel delivered.
32	Low emission vehicles in Council and partner fleets	2017	Ongoing	SCC	Internal	Partially funded	10k-1m	Implementation	2	CO ₂ , noise	SCC continuing to procure electric vans across different service areas with an aim for 90% of the feet will be zero-emission by 2030
33	Autonomous and electric distribution vehicles	2023-5	2026	SCC and Solent Transport, Funded by DfT	Future Transport Zones	Partly funded	>1m	Planning	2	CO ₂ , noise	Early exploratory research through Future Transport Zones.
34	Hybrid and electric straddle carriers	2021	Complete	SCC	Defra Grant	Fully funded	50k - 100k	Complete	1	CO ₂	Study complete highlighting emission reductions from hybrid straddle carriers. 12 hybrid straddle carriers purchased following this with plans for new electric carriers.
35	M271 Redbridge junction capacity work	2019	Complete	Highways England	Government's Roads Investment Strategy 2014	Fully funded	>1m	Complete	1	CO ₂	Scheme complete improving flows at this key junction.
36	EV parking discounts	2018	Ongoing	SCC	Internal	None required	N/A	Complete	1	CO ₂ , noise	Discounts on season tickets launched in 2018.
37	Itchen Toll EV Concessions	2018	Ongoing	SCC	Internal	None required	N/A	Complete	1	CO ₂ , noise	107 smart cards were issued in 2021 for EVs to cross the bridge for free.

38	EV car clubs	2017	2019/20	SCC	To be determined	Partially funded	500k-1m	Planning	1	CO ₂ , noise	Discussion with Enterprise Car Rentals over the deployment of EV's as part of the existing car club fleet continue. SCC seeking opportunities to align EV car club with internal car rental requirements for staff.	
39	Eco Driver Training and telematics for Council Fleet	2017	2023	SCC	Internal	Fully funded	100k-500k	Planning	1	CO ₂	Eco driving measure to be delivered in 2022 as part of fleet modernisation plan.	
40	City Car Club	2015	Ongoing	SCC	Active Travel Fund	Fully funded	N/A	Implementation	1	CO ₂	Over the course of the My Journey programme, 3 separate direct mail promotional campaigns advertising the Car Club and offering discounted membership have been run. Workplace travel officer is working to promote car club to employers	
41	Taxi rapid chargers	2019	2021	SCC	Implementation Fund	Fully funded	50k-100k	Complete	1	CO ₂ , noise	Two rapid chargers currently available for taxi and private hire drivers in Southampton.	
Planning and monitoring												
42	Local planning policies	2017	2020/21	SCC	Internal	None required	N/A	Implementation	3	CO ₂ , noise, active travel	Funding received to implement. Draft air quality planning document complete. Upcoming 'Local Plan' to formalise guidance and include new requirements from developments.	
Page 61	43	Green City Charter (GCC) and Green City Plan	2020	2030	SCC, Green City signatories	Internal	Fully funded	>1m	Implementation	2	CO ₂ , noise, active travel, biodiversity, waste, water	Green City Charter adopted and Green City Plan entering third year. Programme largely on track delivering activities supporting the council's wider sustainability goals including ongoing improvements in local air quality and realising co-benefits associated with carbon reduction measures.
44	Cleaner Air Strategy publication	2016	2019	SCC	Internal	Fully funded	N/A	Complete	1	CO ₂ , health inequalities	Clean Air Strategy adopted in November 2016 and published on the council website. Later updated in 2019 to align with The Local NO ₂ Plan.	
45	City-wide fleet composition survey	2016	Complete	SCC	Implementation Fund, internal	Fully funded	50k-100k	Complete	1	-	ANPR surveys complete in 2017, 2019 and 2021 to support monitoring and modelling work.	
46	Air quality monitoring network	2003	Ongoing	SCC, Defra	Internal, Defra funding	Fully funded	100k-500k	Implementation	1	-	4 automatic monitoring stations monitoring a variety of pollutants and over 80 diffusion tubes across the city installed and continuing to be maintained.	
47	Low cost monitor trial bid	2021	2024	SCC, delivery partner, partnering local authorities	Defra AQ grant	Not funded	100k-500k	Planning	1	-	Bid successful to secure funding for 8 low cost monitors and modelling capabilities in Southampton. Monitors model PM, O ₃ , NO ₂ and SO ₂ and will be used to support the wood burning programme.	

3.2 Ensuring Compliance and The Local NO₂ Plan

As previously discussed, Southampton City Council were one of the first five local authorities required to assess the need for a charging clean air zone to ensure compliance with air quality standards in the shortest possible time.

Through a comprehensive feasibility study and consultation exercise, The Council was able to demonstrate to central government that a set of non-charging measures could achieve compliance in the shortest possible time. These measures have now been implemented with support from the government's Joint Air Quality Unit (JAQU) and has helped deliver the improvements in air quality in the city.

The Council are now working with JAQU to evaluate the effectiveness of The Plan and confirm that compliance will be maintained in the next few years through a detailed modelling exercise which has yet to be completed.

While The Council understand that Defra would prefer the emission and concentration reductions to be calculated and modelled, the NO₂ plan re-evaluation process is deemed to cover this requirement in terms of ensuring compliance with air quality standards. The results of this exercise will be presented in the next AQAP update which will be reviewed following on from any updates to The Local NO₂ Plan.

The Council view The Local NO₂ Plan process suitable for assessing and ensuring compliance in the shortest possible time, while the AQAP is for delivering broader, longer-term improvements for the whole city. As such, the measures presented in this AQAP update are largely city-wide and many are strategic. These measures have the greatest potential to deliver benefits for the whole city and deliver social and environmental co-benefits.

Appendix 1: Source Apportionment Detail

The AQAP measures presented in this report are intended to target the predominant sources of emissions within Southampton City Council’s area.

A source apportionment exercise was carried out by Southampton City Council in 2021. This identified that in key areas of the city, the percentage source contributions were as follows:

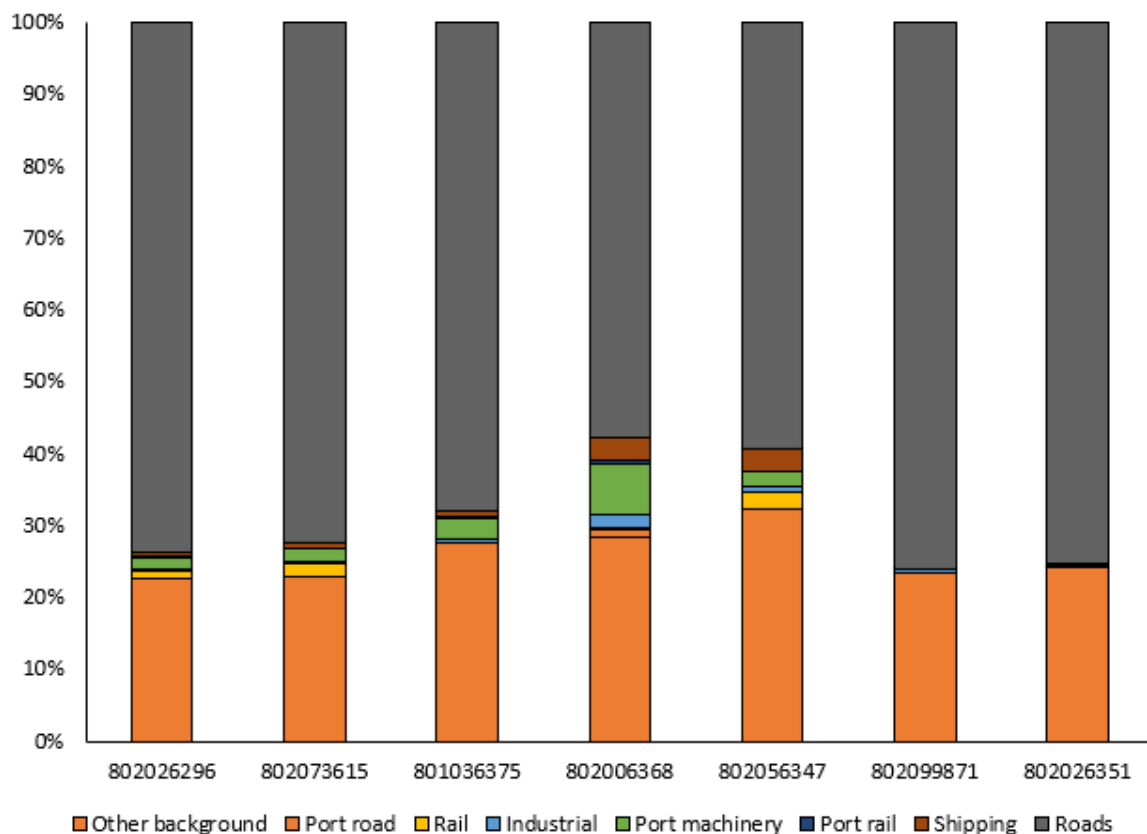


Figure 9 Source apportionment at key sites for concentrations of NO_x in 2019 using a city-wide verification factor. Locations are provided in Figure 11.

Background sources of emissions are those from outside of the city's boundaries which then enter the city including those from neighbouring areas, as well as internationally.

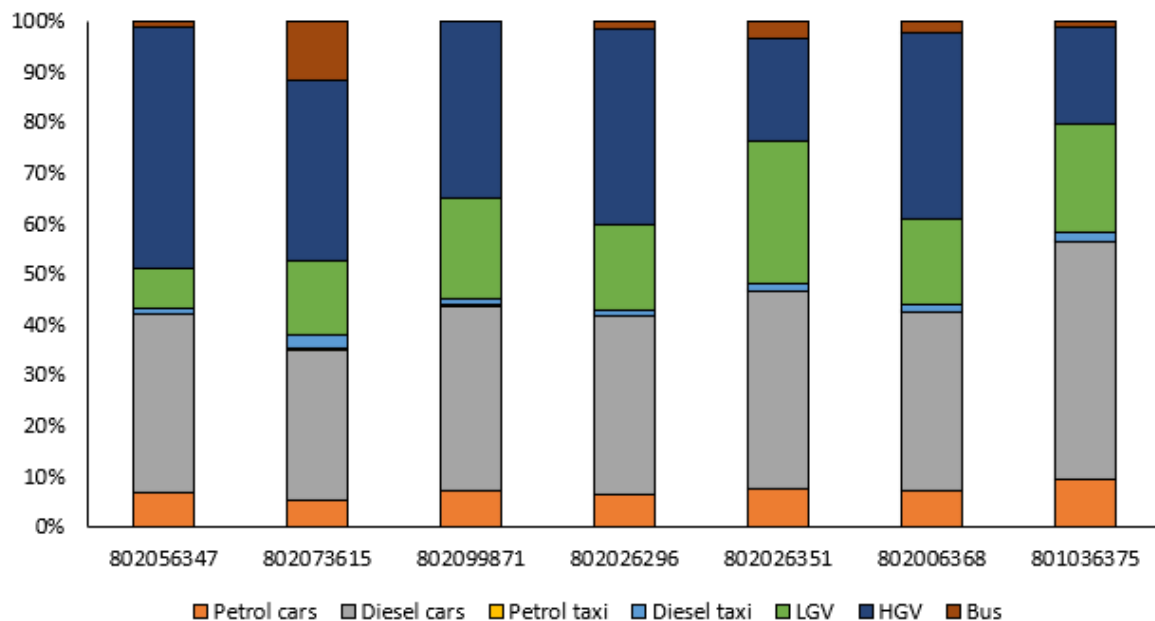


Figure 10 Source apportionment for road vehicle types at key sites for concentrations of NO_x in 2019 using a city-wide verification factor.

The locations source apportionment too place are presented below which correspond to the above location codes.

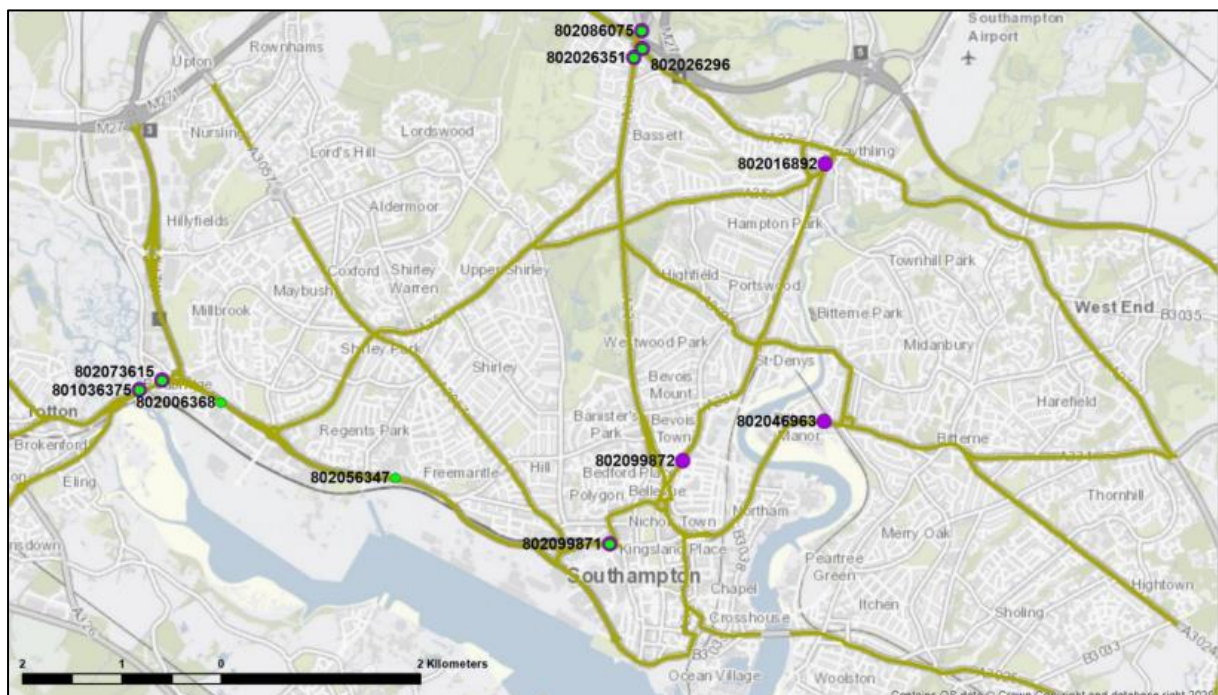
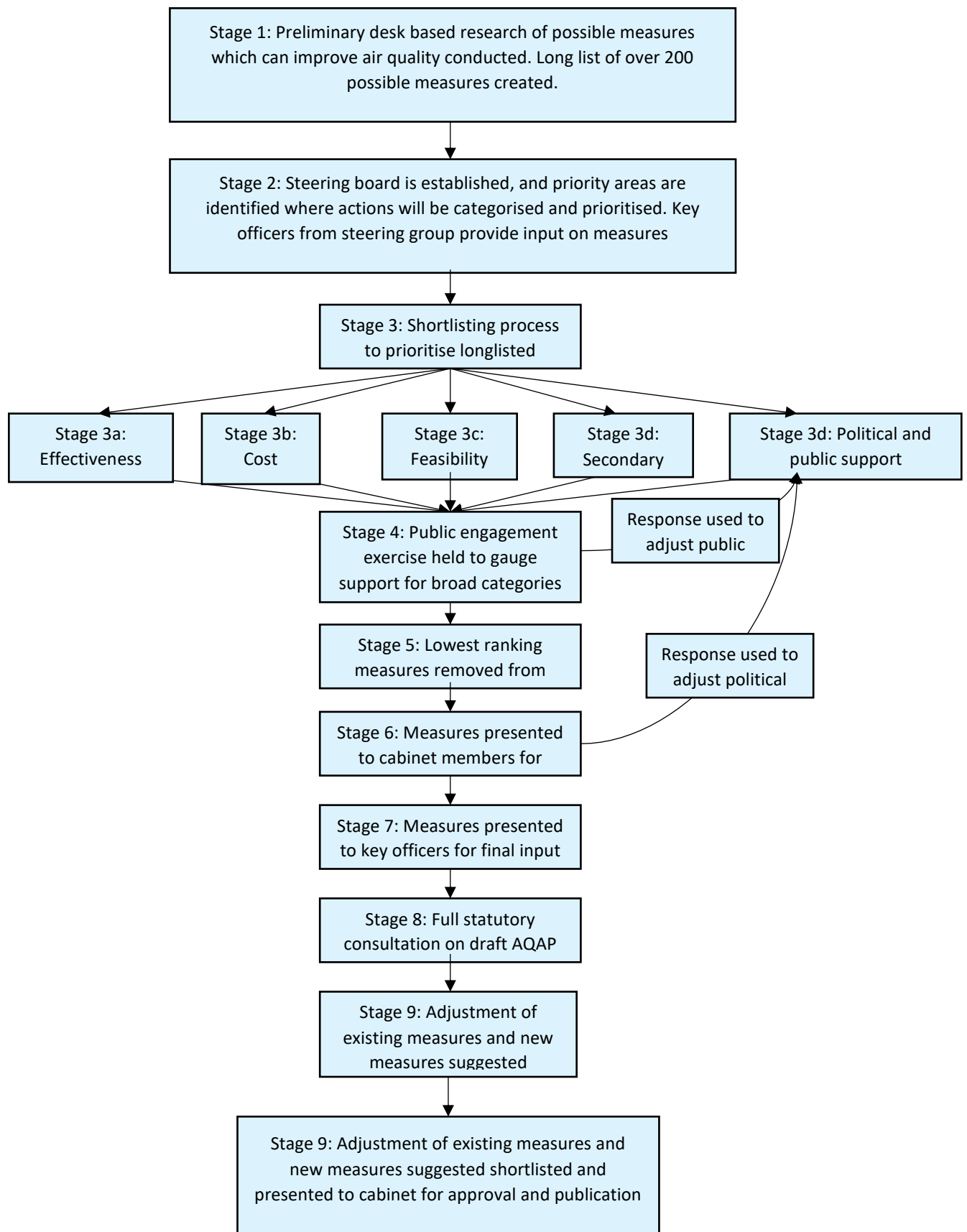


Figure 11 Source apportionment locations

Appendix 2: Shortlisting Process Diagram



Appendix 3: Response to Consultation

Table 4 Statutory consultee responses received

Consultee	Response	Outcome
Environment Agency	Support the aspirations of the plan and suggest more weight given to nature based solutions which can deliver air quality and other co-benefits including detail on what this might involve	Recommendations will be integrated into the existing 'Green Grid' action which aims to utilise nature based solutions to a variety of environmental challenges.
Defra	Approval of draft AQAP subject to minor amendments.	Inclusion of Local NO ₂ Plan and compliance section. Further emphasis on PM monitoring. Further information on governance and steering group arrangements added.

Measures suggested through the statutory consultation have been assessed for inclusion in the AQAP using the previously discussed shortlisting method. On this basis, suggestions have either resulted in no change (discussed in appendix 5), and amendment to a similar existing measure, or a new measure entirely. These new measures are presented in the below table and are included in the final AQAP table where applicable.

Table 5 Public consultee comments where changes were made to the plan

Consultation Responses (verbatim)	New AQAP Measure
<i>Exclusion of vehicles from areas where people walk, sit in cafes etc - eg. Portswood Broadway, Bedford Place and similar.</i>	'Identify further opportunities for better pedestrian infrastructure including Active Travel Zones'.
<i>Shirley residential roads closed to through traffic. More green spaces.</i>	
<i>More space converted to pedestrianised zones with trees and plants.</i>	
<i>More pedestrianisation and exclusion of vehicles from places where people gather, e.g. to shop</i>	

<i>Enforcement of pedestrian and cycle priority at junctions, more shared spaces, more pedestrian zones, pedestrian crossing phases at the junction of Lodge Road and Portswood Road, and the junction of Bevois Hill and Thomas Lewis Way</i>	
<i>Low traffic neighborhoods and support to make cars less dominant on our roads, such as creating parklets in parking spaces.</i>	
<i>A reduction in the number of rat runs in the inner avenue.</i>	
<i>more work with neighborhoods to reduce car use through low traffic areas.</i>	
<i>Stop closing walking routes. 2 that I know of have been closed recently. One across the M271. The other along the railway line from the station. Open these up again please.</i>	
<i>Closing off of local high streets to make them people friendly and not car-through streets wherever possible (eg Portswood, Bitterne Park Triangle and others - like has been done in Woolston) or at least restricting traffic and hours (eg deliveries). This would boost the local shopping economy and on-street cafes etc</i>	
<i>I would like to see heavy commercial vehicle kept away from residential streets. Keep them on the main arterial and keep the traffic flowing</i>	'Identify and enforce routes for lorries to improve efficiency of journeys and reduce impacts on residential areas'.
<i>Restricted routes for very large HGVs avoiding residential areas</i>	
<i>7.5 ton vehicular limit on Thornhill Park Road is not monitored or implemented</i>	
<i>Even large polluting lorries cut through from Lodge Road through Padwell Road to avoid the traffic lights at Stag Gates. There's a lot of young children walking to Bevois Town school breathing in those fumes.</i>	
<i>The cruise ships and associated traffic cause a lot of pollution, as do the lorries coming to the port. These are critical areas to address.</i>	'Enhance port-based booking system to encourage lower emission lorries into the port'.
<i>Focus more on alternatives to private vehicles. Would like to see regular local electric bike demonstrations and support with purchasing</i>	'Supporting shared micromobility by providing rental manual bikes, e-bikes and cargo bikes for residents'
<i>Have park and ride schemes for the north and east of Southampton with free parking and subsidised bus travel to encourage people to use them especially if you are thinking of banning high emission vehicles in the city centre.</i>	'Investigate increased availability of the park and ride including for key events'.
<i>Park and ride outside city</i>	
<i>Park and ride scheme to Sports Centre</i>	
<i>Park and ride. Something to stop 4000 cars per cruise ship coming into town centre.</i>	
<i>Hospital park and ride</i>	'Work with University Hospital Southampton to support their new 'Green Plan''.
<i>Incentives in the form of grants for investment into green technologies that save fossil energy and improved insulation. Best as starter pack upon investment, rather than something like feed-in tariffs. This could be for solar panels, fully electric vehicles, groups or sir source heat</i>	'Support residents in making their homes more efficient'.

<i>pumps inclusive optimised radiators or underfloor heating, external house insulation, sun capture via conservatories, small wind turbines in gardens/on roof, energy storage e.g. in batteries or via hot-water boilers. Many of these ideas can be put into houses but they are often very expensive for individual home owners.</i>	
<i>It would be good to know how 'engagement' around log burners will be achieved. In Bitterne Park, we are starting to get smog on winter days. This cannot be done quickly enough, and building regulations staff should visit and check that a compliant wood burner has been fitted. Further, businesses in the city selling wood burners should be prevented from selling the most polluting ones.</i>	'Extend and enhance wood burning engagement project'.
<i>More education about just how bad woodburners are (I know how appealing they are but the scientific evidence for the harmful effects is just increasing).</i>	
<i>Specific action to assess and address the impact of wood burning stoves, and what actions may be taken e.g. raising public awareness.</i>	
<i>Last year my next door neighbour had a wood burner installed without requiring any form of planning permission. Several other houses on our estate now have wood burners. A recent Government report concluded that wood burners are a major contributor to particle pollution. What does the City Council plan to do about the growth in wood burners?</i>	
<i>Far too little on citizen involvement & action eg re greening gardens etc . Camden has put in a new air quality monitor system which allows us all to see what is happening, & take action</i>	'Map local concerns for air quality onto air quality monitoring and modelling data'.
<i>You identified University of Southampton as a key business. There are multiple air pollution researchers based there (myself included), and yet at no point in the measures have you considered engaging with them .</i>	'Continue to work with the city's universities to integrate expertise and new research into measures'.
<i>More air quality monitoring stations across the city.</i>	'Explore opportunities for more air quality monitoring stations'.
<i>With regard to the expansion of Southampton Airport we need comprehensive air quality monitoring stations across residential areas to the south of the airport</i>	

Appendix 4: Reasons for not pursuing measures

Source	Measure description/ name	Reason action is not being pursued
Statutory consultation	<i>Introduce a scheme for public transport with a uniform pay structure. Not three tickets for three bus routes/companies. It could be like the Oyster card (London) or Opal card (Sydney) and should include train, bus and tram, possibly even voi. E.g. I would like to be able to change buses (routes and companies) when going to Southampton central, to get a train to Millbrook and maybe use a voi to final destination.</i>	Southampton City Council do not own bus companies which operate in the city which makes it difficult to require consistent fares across operators. The Council does however continue to work with all operators in the city to require high standards of operation
	<i>Recognition of the impact of ammonia on air pollution and public health, the sources of this and considering what action can be taken to address this issue.</i>	As a principally agricultural pollutant, ammonia pollution isn't considered a large issue in Southampton. The levels that we do have come from sources outside our boundaries which we cannot control. As such it's considered non-cost-effective to manage.
	<i>Frequent "no car" days in the city centre, such as those pioneered by European cities.</i>	While the short term impact of a car-free day may be large, preventing access of cars into the city is currently considered un-feasible.
	<i>Unify charging connections for cars, avoiding different plug types (as was done with tablet and smartphone charging!) via legal requirements.</i>	The Council aims to ensure that all EV charge points it installs have the same compatibility with vehicles. To do this, SCC is planning to enter a partnership arrangement with a provider in 2023. The Council cannot control the type of chargers other organisations or individuals install.
	<i>Grants for fully electric vehicles only, ideally together with a photovoltaic and storage solution.</i>	Local authorities are not able to provide individual's funding to purchase electric vehicles. The Office for Zero Emission Vehicles (OZEV) provides various grants, such as the Plug-in Car Grant (PICG) the EV charge point grant for members of the public to access.

	<p><i>Southampton City Council had plans to build some giant wind turbines about 15 years ago, but got cold feet (www.dailyecho.co.uk/news/3820056.southampton-giant-turbines-plan-blown-out). Perhaps this project could be reactivated now that the public seem less opposed to wind turbines and there will be the incentive of lower energy bills. Liverpool docks have had wind turbines for over a decade. Wind conditions in Southampton and Liverpool are very similar.</i></p>	<p>Central government do not permit the development of large on-shore wind turbines. As such this measure is considered unfeasible. Feasibility of smaller turbines is being considered, however.</p>
	<p><i>Banning barbeques and improving rubbish collection arrangements, so that residents do not resort to bonfires</i></p>	<p>It's currently unfeasible for The Council to ban barbeques and all bonfires. The Council is currently working on a waste improvement strategy to improve waste collection to reduce the need for bonfires and has implemented a ban on allotment burning, however. The 'Wood Burning Engagement Project' is being implemented and will be developed further under this plan to continue to educate residents on how to burn less and burn better.</p>
	<p><i>The council should implement an immediate ban on bonfires. The combined pollution from domestic bonfires must heavily outweigh vehicle emissions and the nuisance it causes neighbours should be addressed.</i></p>	<p>A complete ban on bonfires is considered unfeasible.</p>

	<p><i>A ban on burning household (or building rubbish as I suspect it often is) and the resources to have people who can come out, see it for themselves and enforce the ban. I know there are people burning it rather than taking it to the tip (probably because they'll be charged) and they don't care what they're burning - aside from the stench, I dread to think what toxins are being released and that we're all breathing in. A business wouldn't be allowed to do it. (This needs joined up thinking - e.g. remove charges for taking building rubbish to the tip and people may not be as likely to burn it).</i></p>	
	<p><i>An overflight tax and greater contribution from the airport for the environmental damage (Enforce to the latest CAEP standard) and seek recompense for the damage they are causing. Make the airport publish the real figures for CO2 which include the emissions from the aeroplanes themselves so those flying are not led to believe that their journey is carbon neutral.</i></p>	<p>Southampton Airport is located in Eastleigh Borough Council's boundaries who have oversight of the airport. As such, an overflight tax implemented by Southampton City Council is considered unfeasible.</p>
Shortlisting exercise	<p>Extend Low Emission Taxi Incentive Scheme. Enhanced benefit for electric taxis</p>	<p>Replaced with 'Discounted electric taxi and van leasing scheme including rapid chargers and driver support</p>
	<p>Electric HGVs for use in Sustainable Distribution Centre</p>	<p>To be pursued through Future Transport Zones work</p>
	<p>Further drone delivery opportunities</p>	<p>Low effectiveness score</p>
	<p>Investigate hydrogen bus trial</p>	<p>Low effectiveness score</p>
	<p>New taxi only rapid charge points</p>	<p>Replaced with 'Discounted electric taxi and van leasing scheme including rapid chargers and driver support</p>

	Encouraging lift sharing schemes for workplaces	Currently being pursued through 'MyJourney' workplace travel planners network.
	Active travel plans/ schemes for major employers	
	Staff rail warrant	Low feasibility and effectiveness scores
	Investigate effectiveness of car free lanes in reducing exposure	Low perception score
	Research using designated delivery bays	Low effectiveness score
	Passenger access to port from dock gate 10	Low effectiveness and feasibility scores
	Requirements for tighter NRMM standards in port	Low feasibility score
	Further support for delivery and service planning	Low effectiveness and cost scores
	Anti-idling train engagement	Low feasibility and effectiveness scores
	Low NOx/Electric boiler implementation in schools and other council properties	Low feasibility and cost scores
	Reduced parking provision in SCC car parks	Low feasibility and perception scores
	Gas and hydrogen refuelling infrastructure.	Low effectiveness, feasibility, and cost scores
	City centre Zero Emission Zone	Low feasibility and perception scores
	Parking permits scrappage	Low feasibility and perception scores
	New Taxi licensing conditions for ULEVs	Low feasibility score
	St Marys Stadium Train Station	Low feasibility score within AQAP timescales
Open fire and stove scrappage scheme	Low feasibility score	
Workplace Parking Levy	Low feasibility and perception scores	

Glossary of Terms

Abbreviation	Description
AQAP	Air Quality Action Plan - A detailed description of measures, outcomes, achievement dates and implementation methods, showing how the local authority intends to achieve air quality limit values'
AQMA	Air Quality Management Area – An area where air pollutant concentrations exceed / are likely to exceed the relevant air quality objectives. AQMAs are declared for specific pollutants and objectives
AQS	Air Quality Strategy
ASR	Air quality Annual Status Report
Defra	Department for Environment, Food and Rural Affairs
JAQU	Joint Air Quality Unit
EU	European Union
LAQM	Local Air Quality Management
NO ₂	Nitrogen Dioxide
NO _x	Nitrogen Oxides
PM ₁₀	Airborne particulate matter with an aerodynamic diameter of 10µm (micrometres or microns) or less
PM _{2.5}	Airborne particulate matter with an aerodynamic diameter of 2.5µm or less

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DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE				
SUBJECT:	SCRUTINY OF THE COUNCIL'S FINANCIAL POSITION				
DATE OF DECISION:	15 DECEMBER 2022				
REPORT OF:	COUNCILLOR FULLER – CHAIR OF THE OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE				
<u>CONTACT DETAILS</u>					
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STATEMENT OF CONFIDENTIALITY					
None					
BRIEF SUMMARY					
Given the challenging financial position facing the Council, the Chair has requested that the Committee discuss with the Cabinet Member for Finance and Change the current budgetary position for 2022/23 and the work being undertaken by the Executive to achieve a balanced budget for 2023/24 and beyond.					
RECOMMENDATIONS:					
	(i)	That the Committee review the appended financial reports to Cabinet and utilise the information to discuss with the Cabinet Member for Finance and Change the options available, and the current proposals, to meet the forecast budget shortfalls.			
REASONS FOR REPORT RECOMMENDATIONS					
1.	To enable the Committee to scrutinise the Council's financial position.				
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED					
2.	None.				
DETAIL (Including consultation carried out)					
3.	The forecast outturn position of the General Revenue Fund for the year, as outlined in the Financial Monitoring report to Cabinet on 15 November for the period to the end of September 2022, is a £9.59M deficit.				
4.	The revised budget shortfall in 2023/24, noted in the Budget Update report to Cabinet on 8 November 2022, is £28.90M. The updated forecast budget shortfall up to 2026/27 is provided in the table below.				
		2023/24	2024/25	2025/26	2026/27
		£M	£M	£M	£M
	Forecast Budget Shortfall February 2022 (after agreed savings)	23.43	21.46	21.95	21.95
	Funding Changes	(6.82)	(6.82)	(6.82)	(6.82)
	Use of Reserves	(1.00)			
	Budget and Inflationary Pressures	30.34	27.80	29.78	35.94
	Draft Savings Proposals	(17.05)	(16.21)	(18.82)	(19.51)
	Updated Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57

5.	Attached as appendices are the aforementioned financial reports that were presented to Cabinet on 8 th and 15 th November respectively. The report considered on 8 th November contains a number of proposals for the 2023/24 budget and medium-term financial strategy, which have been published for consultation.
6.	The Committee are requested to use the attached information to discuss the financial position of the Council with the Cabinet Member for Finance and Change.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
7.	The details are set out in the attached Cabinet reports. There are no additional financial implications arising from the approval of the recommendations.
<u>Property/Other</u>	
8.	The details are set out in the attached Cabinet reports. There are no additional property implications arising from the approval of the recommendations.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
9.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
10.	The details are set out in the attached Cabinet reports.
RISK MANAGEMENT IMPLICATIONS	
11.	The details are set out in the attached Cabinet reports. Effective overview and scrutiny is a key ingredient of risk management.
POLICY FRAMEWORK IMPLICATIONS	
12.	The details are set out in the attached Cabinet reports.
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	15 th November Cabinet Report and appendices - Financial Monitoring for the period to the end of September 2022
2.	8 th November Cabinet Report and appendices - Update on Budget Forecast for 2023/24 Onwards and Savings Plans
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	Identified in appended Cabinet Reports

Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	Identified in appended Cabinet Reports
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.	Agenda item - Financial Monitoring for the period to the end of September 2022 Southampton City Council
2.	Agenda for Cabinet on Tuesday, 8th November, 2022, 4.30 pm Southampton City Council – Item 4

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Agenda Item 8

Appendix 1

DECISION-MAKER:	CABINET		
SUBJECT:	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2022		
DATE OF DECISION:	15 NOVEMBER 2022		
REPORT OF:	CABINET MEMBER FOR FINANCE & CHANGE		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
	Name:	John Harrison	Tel: 023 80834897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title:	Head of Financial Planning & Management	
	Name:	Steve Harrison	Tel: 0739 2864525
	E-mail:	Steve.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of September 2022 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2022/23 to 2026/27.</p> <p>The General Revenue Fund deficit for the year as outlined in this report is £9.59M as at 30 September 2022 after taking account of £4.02M agreed in-year savings, with the most significant deficit being for the Children & Learning portfolio (£9.43M). Mitigation plans to reduce the forecast deficit have been developed and put into action, however are unlikely to reduce the deficit in full. Ultimately any persisting deficit would need to be met from corporate resources and would therefore impact on the council's future financial resilience and the resources available to help address the £28.90M revised budget shortfall in 2023/24 noted in the Budget Update report to Cabinet on 8 November 2022.</p>

RECOMMENDATIONS:	
	<p><u>General Revenue Fund</u> It is recommended that Cabinet:</p>
i)	Notes the forecast outturn position is a £9.59M deficit, after taking account of £4.02M agreed in-year savings, as outlined in paragraph 4 and in paragraph 1 of appendix 1.
ii)	Notes the performance of treasury management, and financial outlook in paragraphs 5 to 8 of appendix 1.
iii)	Notes the forecast year end position for reserves and balances as detailed in paragraphs 9 and 10 of appendix 1.

	iv)	Notes the Key Financial Risk Register as detailed in paragraph 11 of appendix 1.
	v)	Notes the performance against the financial health indicators detailed in paragraphs 15 and 16 of appendix 1.
	vi)	Notes the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 19 to 22 of appendix 1.
<p><u>Housing Revenue Account</u> It is recommended that Cabinet:</p>		
	vii)	Notes the forecast outturn position is a nil variance against budget as outlined in paragraph 5 and paragraph 17 of appendix 1.
<p><u>Capital Programme</u> It is recommended that Cabinet:</p>		
	viii)	Notes the revised General Fund Capital Programme, which totals £353.13M as detailed in paragraph 1 of appendix 2.
	ix)	Notes the HRA Capital Programme is £267.12M as detailed in paragraph 1 of appendix 2.
	x)	Approves the addition of £1.32M to the Economic Development programme, along with approval to spend, as detailed in paragraph 4 of appendix 2.
	xi)	Approves the reduction of £0.25M to the Communities & Customer Engagement programme, as detailed in paragraph 5 of appendix 2.
	xii)	Approves the net reduction of £7.11M to the Finance & Change programme, as detailed in paragraphs 6-8 of appendix 2.
	xiii)	Approves the reduction of £0.50M to the Health, Adults & Leisure programme, as detailed in paragraph 9 of appendix 2.
	xiv)	Approves the net reduction of £1.30M to the Housing & Green Environment programme, as detailed in paragraphs 10 and 11 of appendix 2.
	xv)	Approves the addition of £0.5M to the Safer City programme, along with approval to spend, as detailed in paragraph 12 of appendix 2.
	xvi)	Approves the net addition of £0.38M to the Transport & District Regeneration programme, along with approval to spend, as detailed in paragraphs 13-16 of appendix 2.
	xvii)	Approves slippage and rephasing of £18.69M (£14.95M of General Fund and £3.74M of HRA) as detailed in paragraphs 17 and 18 of appendix 2. Noting that the movement has zero net movement over the 5-year programme.
	xviii)	Notes that the overall forecast position for 2022/23 at quarter 2 is £162.99M, resulting in a potential surplus of £5.42M, as detailed in paragraphs 19 and 20 of appendix 2.
	xix)	Notes that the capital programme remains fully funded up to 2026/27 based on the latest forecast of available resources although the forecast can be subject to change; most notably regarding the value

	and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	Not Applicable.
DETAIL (including consultation carried out)	
	<u>Revenue</u>
3.	The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of September 2022 and key issues are summarised in appendix 1.
4.	The current forecast spending against the council's net General Fund revenue budget for the year of £193.05M is projected to be a £9.59M deficit, after taking account of £4.02M agreed in-year savings, an improvement of £5.65M from the position forecast at the end of June 2022. This is a significant adverse variance which has on-going consequences for the Council's financial sustainability. The most significant deficit is for Children & Learning (£9.43M) and Health, Adults & Leisure has a forecast deficit of £3.37M after using £1.91M of reserves to help meet pressures. Mitigation plans to reduce the forecast deficit have been developed and put into action, however are unlikely to reduce the deficit in full. Ultimately any persisting deficit would need to be met from corporate resources, which would therefore impact on the council's future financial resilience and the resources available to help address the £28.90M revised budget shortfall in 2023/24 noted in the Budget Update report to Cabinet on 8 November. The 2023/24 revised budget shortfall is after taking account of £17.05M draft savings proposals.
5.	The forecast position for the HRA is a nil variance against the budgeted deficit of £0.92M, with a forecast surplus of £0.62M against an expenditure budget of £77.33M offset by a forecast deficit of £0.62M against an income budget of £76.41M. This is no change from the position forecast at the end of June 2022.
	<u>Capital</u>
6.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2022/23 to 2026/27, highlighting the changes in the programme since the last reported position in August 2022. The report also notes the major forecast variances against the approved estimates.
7.	Due to the current financial environment, there has been a need to review the programme, against the backdrop of rising inflation which is significantly increasing construction costs and rising interest rates which has seen the cost of borrowing more than double since the budgets were set in February 2022.

	This review has resulted in £18.69M of slippage (£14.95M General Fund and £3.74M HRA) from 2022/23 into later years, as detailed in paragraphs 17 and 18 of appendix 2 and an overall reduction to the programme of £5.97M (£6.37M General Fund reduction and £0.40M HRA addition)
8.	The current forecast position for 2022/23 at quarter 2 is £162.99M, resulting in a potential surplus of £5.42M, as detailed in paragraphs 19 and 20 of appendix 2.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9.	The revenue and capital implications are contained in the report.
<u>Property/Other</u>	
10.	There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
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
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SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring

Documents In Members' Rooms

1.	None
Equality Impact Assessment	

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The Revenue Budget 2022/23, Medium Term Financial Strategy and Capital Programme (Council 23 February 2022)	
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REVENUE FINANCIAL MONITORING FOR THE PERIOD TO SEPTEMBER 2022

FINANCIAL POSITION

1. The current forecast spending against the Council's net General Fund revenue budget for the year is projected to be a deficit of £9.59M after taking account of £4.02M agreed in-year savings. This is a significant adverse variance which has on-going consequences for the Council's financial sustainability. This is summarised in Table 1 below.

Table 1 – General Revenue Fund Forecast 2022/23

	Budget Qtr 2 £M	Annual Forecast Qtr 2 £M	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Portfolios Net Expenditure	213.34	229.57	16.23 A	15.26 A	0.97 A
Non-Portfolio Net Expenditure	(20.29)	(22.89)	2.60 F	0.00	2.60 F
Net Revenue Expenditure	193.05	206.68	13.63 A	15.26 A	1.63 F
Financing	(193.05)	(193.07)	0.02 F	0.02 F	0.00
(Surplus) / Deficit for the year	0.00	13.61	13.61 A	15.24 A	1.63 F
Further in-year savings agreed	0.00	(4.02)	4.02 F	0.00	4.02 F
(Surplus) / Deficit after in-year savings	0.00	9.59	9.59 A	15.24 A	5.65 F

NB Numbers are rounded

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

3. The most significant adverse variance is in the Children & Learning portfolio, which is forecast to be in deficit by £9.43M. This deficit relates primarily to Pathways Through Care (£5.57M), with placement numbers not reducing as planned, Home to School Transport (£1.13M), with increased numbers of eligible pupils, and agency staff costs within Safeguarding (£1.81M). The Health, Adults & Leisure portfolio is also forecasting a £3.37M deficit after using £1.91M of reserves to help meet pressures, relating mainly to increases in the costs of care packages. £2.29M of the adverse variances for portfolios relates to increased energy costs.
- Mitigation plans to reduce the forecast deficit have been developed and put into action, however are unlikely to reduce the deficit in full. In-year savings of around £4.02M have been agreed so far to help reduce the deficit, as shown in Table 1. Ultimately any persisting deficit would need to be covered by corporate resources

	which would therefore impact on the council's future financial resilience and the resources available to help address the revised £28.90M budget shortfall in 2023/24 noted in the Budget Update report to Cabinet on 8 November 2022.
	<u>Implementation of Savings Proposals</u>
4.	Of the £9.09M savings plans included within the 2022/23 budget £3.56M (39%) have been achieved or are on track to be achieved before the end of this financial year. The balance of £5.53M (61%) are currently not forecast to be achieved and are included in the adverse variances reported for portfolios, with the majority being within Children & Learning. These represent a risk until all management actions required to deliver the savings are complete or alternative savings achieved.
	<u>Treasury Management</u>
5.	Treasury Management borrowing and investment balances as at 30 September 2022 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 forecast reduction in investment balances, net borrowing is expected to increase to £298.52M for 2022/23. This will change throughout the year as capital plans firm up and actual cash flow are known. The forecast cost of financing the council's loan debt is £16.71M of which £5.49M relates to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.
6.	Although we currently do not have any short term debt, we anticipate borrowing short term before year end to replace maturing long term debt, expected reduction in reserves and to fund the 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.
7.	The Council will continue to monitor the financial markets closely, given recent turbulence and market uncertainty, and provide updates via the Treasury Management reports to Governance Committee.
8.	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 2022. The Council has operated within the agreed prudential indicators for the first 6 months of the year and is forecast to do so for the remainder of the year.
	<u>Reserves & Balances</u>
9.	The General Fund Balance is currently £10.07M with no planned drawdown during the year.
10.	At the 31 March 2022, earmarked revenue reserves totalled £96.19M, plus Schools Balances totalling £5.70M. The balance at 31 March 2022 included revenue grants totalling £20.93M carried forward via the Revenue Grants Reserve - General, of which £16.89M relate to COVID-19. All of the grants carried forward are expected to be used in 2022/23. The estimated forecast position as at the 31 March 2023 (excluding Schools Balances) is £52.15M. This doesn't include the cumulative deficit on the Dedicated Schools Grant which is being held in a separate account as noted in paragraph 14. The council holds a Medium Term Financial Risk (MTFR) Reserve, which exists to provide cover for a variety of anticipated risks such as future funding via Government financial settlements, budget management issues including any non-delivery of expected savings and unexpected events that produce financial 'shocks'.

	<p>£1.91M being held in the MTFR Reserve for Adult Social Care cost pressures has been applied this quarter. The MTFR reserve is currently estimated as having a £41.19M balance unallocated at the end of the end of the MTFS period, however this doesn't include any contribution towards the remaining in-year deficit highlighted in paragraph 1 or budget shortfall for 2023/24. This reserve is also important as it creates some capacity for transformation and invest to save measures and therefore helps to provide both financial resilience and support financial sustainability.</p>
	<p><u>Key Financial Risks</u></p>
11.	<p>The Council maintains a financial risk register which details the key financial risks that face the Council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 1.3.</p>
	<p><u>Schools</u></p>
12.	<p>As at 30 September 2022 there were 11 schools reporting a deficit balance totalling £4.2M which compares to deficits totalling £3.6M at the end of the last financial year (2021/22). There are 30 schools forecasting a surplus balance of £6.4M which compares to surpluses totalling £9.3M at the end of the last financial year. The net position is therefore a £2.2M surplus.</p> <p>Three schools have been issued with notices of concern regarding their budget position. Support and guidance are being provided by council services to assist the schools to develop Deficit Recovery Plans (DRP). These schools will be carefully monitored and further actions cannot be ruled out to ensure improved financial management.</p>
13.	<p>The current 3-year deficit recovery timetable for schools in deficit to get back to a balanced budget may be extended to 5 years if necessary, for schools that have experienced significant COVID-19 pressures.</p>
	<p><u>Dedicated Schools Grant (DSG) 2022/23</u></p>
14.	<p>The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of September 2022 is a £10.24M cumulative deficit. The deficit is forecast to increase by £0.2M compared with the position as at the end of quarter 1 due to higher demand and an increase in unit costs. The deficit is being driven primarily by the significant year on year increases in Education Health Care Plans (EHCPs) and with higher levels of needs in these plans. The Special Education Needs & Disabilities (SEND) team have an ongoing strategic review of the High Needs activity to manage demand for SEND services. This includes increasing resources for earlier intervention and providing additional places in special schools to reduce the number of pupils being placed in highly expensive placements in independent school settings. An increase in pressures on High Needs services continue as a nationally recognised issue with significant pressures being reported in most local authorities. The increase in High Needs funding in 2022/23 will help mitigate some of the pressure being experienced and further work is being undertaken as part of the DfE programme Delivering Better Value in SEND. The Schools Budget is ring-fenced and presently the DSG deficit is subject to a statutory override which means that the deficit will not impact on the wider council services or council tax payers. The statutory override is in place until March 2023.</p>

Financial Health Indicators

15. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Annex 1.4 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

16. For Treasury Management, rates for new long term borrowing are higher than budgeted and are on an upward trend. However, the higher interest rates are having a positive impact on investment income and this partly mitigates the impact on the revenue budget. A review of the General Fund capital programme has taken place in an effort to reduce the borrowing need in year.

For Income Collection, average days sales outstanding and outstanding debt more than 12 months old are below target, however performance has improved since quarter 1. Performance is being impacted by resourcing the implementation of new systems as well as vacancies and staff absence within the debt collection team. Recovery of new debt is being prioritised over old (as more chance of recovery). Planned system improvements are expected to help improve performance.

For Creditor Payments, the percentage of valid and undisputed invoices paid within 30 days is below target and performance has deteriorated since quarter 1. A dashboard is being developed to better identify non-compliance and to help target training to improve performance.

Housing Revenue Account

17. The Housing Revenue Account is forecast to have a nil variance against the budgeted deficit for the year, no movement from the position reported at quarter 1, as summarised in Table 2 below.

Table 2 – Housing Revenue Account Forecast 2022/23

	Budget Qtr 2 £M	Annual Forecast Qtr 2 £M	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Expenditure	77.33	76.71	0.62 F	0.62 F	0.00
Income	(76.41)	(75.79)	0.62 A	0.62 A	0.00
(Surplus) / Deficit for the year	0.92	0.92	0.00	0.00	0.00

NB Numbers are rounded

18. Details of significant movements in variances between quarter 1 and quarter 2 are provided in Annex 1.5.

Collection Fund

19. Annex 1.6 shows the forecast outturn position for the Collection Fund at quarter 2, with the position summarised in Table 3.

Table 3 – Collection Fund Forecast 2022/23

	Council Tax £M	Business Rates £M	Total £M
Distribution of previous years' estimated surplus/(contribution towards estimated deficit)	2.92	(24.27)	(21.35)
Net income and expenditure for 2022/23	(0.45)	0.43	(0.02)
(Surplus)/Deficit for the year	2.47	(23.84)	(21.38)
(Surplus)/Deficit brought forward from 2021/22	(2.76)	17.11	14.35
Overall (Surplus)/Deficit Carried Forward	(0.29)	(6.73)	(7.03)
SCC Share of (Surplus)/Deficit	(0.25)	(3.30)	(3.55)
Add: Variance in SCC Government grant income for business rates reliefs for 2022/23		(1.18)	(1.18)
Add: SCC Government grant income shortfall carried forward from 2021/22 due to deferral of CARF scheme, to be repaid to reserves in 2023/24		4.43	4.43
SCC Net Share of (Surplus)/Deficit after Government Grant adjustments to be taken into account in 2023/24 budget setting*	(0.25)	(0.05)	(0.29)

NB Numbers are rounded

*£1.20M of the 2020/21 in-year deficit estimated at January 2021 is already included for 2023/24 in the Medium Term Financial Strategy (final year of the exceptional deficit required to be spread over 3 years).

20. The position on the Collection Fund as a whole is a surplus to be carried forward of £7.03M. Most of the surplus relates to business rates and comprises a £7.16M favourable variance in the 2021/22 outturn deficit (after excluding the £1.99M 2020/21 exceptional deficit being carried forward into 2023/24) and an in-year deficit of £0.43M. The deficit brought forward was lower than had been estimated in January 2022 mainly because reliefs under the COVID Additional Relief Fund (CARF) scheme announced in December 2021 were deferred until 2022/23. The in-year deficit is primarily due to backdated CARF relief (£8.89M), offset by lower retail, hospitality & leisure reliefs (£6.17M) and empty property relief (£2.17M) than estimated when the budget was set. This forecast is based on bills raised for 2022/23 as at the end of September 2022.

21. Both the CARF and retail, hospitality & leisure reliefs are funded by Government grant, so changes to these forecasts impact on the grant income receivable to the General Fund. The table shows the net impact for SCC only as a forecast surplus of £0.05M for business rates, once the variance to Government grant for business rates relief for 2022/23 and the repayment to reserves for the shortfall in CARF grant income carried forward from 2021/22 are factored in.

22.	Significant uncertainty still underpins any estimate relating to the economic effects of high inflation and the cost of living crisis, together with any ongoing effects of the COVID-19 pandemic. As a risk area to the SCC budget, financial trends will be carefully monitored.
Conclusion and Outlook	
23.	Despite actions being taken to help address the financial position a significant forecast deficit remains. The council continues to face severe financial pressures, not only from high demand for services, particularly within Children's & Learning, but also due to the impact of high levels of inflation. The pay award for 2022/23 has yet to be settled and the Local Government Employer's offer of a flat rate increase of £1,925 (equivalent to 5.6% for the council) is being considered by the trade unions. This compares with 2.5% provided for within the budget. Although this additional cost could be accommodated within the contingency budget, this would wipe out the contingency budget for future years.
24.	While the council has sufficient reserves and contingency to meet these financial pressures in the short term, any use of these resources in 2022/23 would reduce the amount available to help address the shortfall between the Council's budgeted expenditure and anticipated funding in future years. The Budget Update report to Cabinet on 8 November 2022 showed a budget shortfall of £28.90M for 2023/24, even after draft savings proposals are taken into account, due to the high demand for services and inflationary pressures currently being experienced.

Annexes

1. General Revenue Fund Forecast Qtr 2 2022/23
2. Treasury Management Qtr 2 2022/23
3. Key Financial Risk Register Qtr 2 2022/23
4. Health Indicators Qtr 2 2022/23
5. HRA Forecast Qtr 2 2022/23
6. Collection Fund Qtr 2 2022/23

OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR
2022/23

Portfolio	Budget Qtr 2	Annual Forecast Qtr 2	Forecast Variance Qtr 2	Forecast Variance Qtr 1	Variance Movement from Qtr 1
	£M	£M	£M	£M	£M
Children & Learning	58.60	68.03	9.43 A	9.19 A	0.24 A
Communities& Customer Engagement	5.75	6.45	0.71 A	0.65 A	0.06 A
Economic Development	3.03	4.42	1.38 A	0.80 A	0.58 A
Finance & Change	38.24	40.48	2.24 A	1.19 A	1.04 A
Health, Adults & Leisure	84.67	88.04	3.37 A	2.39 A	0.98 A
Housing & the Green Environment	8.37	8.55	0.18 A	0.03 A	0.15 A
Leader	12.53	12.78	0.26 A	0.64 A	0.38 F
Safer City	1.32	1.39	0.07 A	0.04 A	0.03 A
Transport & District Regeneration	0.83	(0.57)	1.40 F	0.33 A	1.73 F
Total Portfolios	213.34	229.57	16.23 A	15.26 A	0.97 A
Levies & Contributions	0.09	0.09	0.00	0.00	0.00
Capital Asset Management	10.79	8.19	2.60 F	0.00	2.60 F
Other Expenditure & Income	(31.17)	(31.17)	0.00	0.00	0.00
Net Revenue Expenditure	193.05	206.68	13.63 A	15.26 A	1.63 F
Council Tax	(111.24)	(111.24)	0.00	0.00	0.00
Business Rates	(32.78)	(32.78)	0.00	0.00	0.00
Non-Specific Government Grants	(49.03)	(49.05)	0.02 F	0.02 F	0.00
Total Financing	(193.05)	(193.07)	0.02 F	0.02 F	0.00
(Surplus)/Deficit	0.00	13.61	13.61 A	15.24 A	1.63 F
Further in-year savings agreed	0.00	(4.02)	4.02 F	0.00	4.02 F
(Surplus)/Deficit after in-year savings	0.00	9.59	9.59 A	15.24 A	5.65 F

NB Numbers are rounded

EXPLANATIONS BY PORTFOLIO

1. CHILDREN & LEARNING PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£9.43M**, which represents a percentage variance against budget of 16.1%. The Portfolio forecast variance has moved adversely by **£0.24M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	9.43 A	9.19 A	0.24 A	16.1

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Divisional Management & Legal	0.22 A	0.21 A	0.01 A
Education - Home to school transport and property management	1.13 A	1.58 A	0.45 F
Education - Services for schools, High Needs	0.21 A	0.18 A	0.03 A
Pathways Through Care	5.57 A	5.63 A	0.06 F
Young Peoples Service	0.10 A	0.00	0.10 A
Quality Assurance Business Unit	0.33 A	0.00	0.33 A
Safeguarding	1.81 A	1.55 A	0.26 A
Other	0.06 A	0.05 A	0.01 A
Total	9.43 A	9.19 A	0.24 A

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
Education - Home to school transport and property management	0.45 F	As at Quarter 2 the favourable movement of £0.45M since Quarter 1 is largely as a result of work to identify potential income due to the Council.
Quality Assurance Business Unit	0.33 A	As at Quarter 2 there is an adverse variance movement of £0.33M since Quarter 1 due to additional agency staff required in the service. This primarily relates to the need for Independent Reviewing Officers (high numbers of children in care combined with government guidance about Independent Reviewing Officer caseloads) and also Child Protection Chairs, in particular to ensure that we have sufficient capacity to chair Risk of Harm Outside the Home (ROTH) conferences. In Workforce Development there is a non-negotiable requirement to provide ring-fenced support to 17 Newly Qualified Social Workers during their first year. A business case has been submitted to convert these essential posts to fixed term contracts, at a significantly lower cost than agency staff.
Safeguarding	0.26 A	As at Quarter 2 there is an adverse variance movement of £0.26M since Quarter 1 relating to the high number of inexperienced permanent staff within the service and the need to hold agency staff whilst gradually building up their caseloads. The service now has 90% permanent staffing which is a significant improvement, but there is a need to maintain a level of experience via agency workers to ensure that children receive the service they need. Of the 17 Newly Qualified Social Workers (NQSW) across the service most were not registered until August/September. This meant that they could not hold statutory cases. In addition, there have been delays in the arrival of some South African social workers and some have not yet arrived. This has affected case holding space within the service. As case holding for South African SWs and NQSWs increases, less additional agency will be required.

2. COMMUNITIES & CUSTOMER ENGAGEMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£0.71M**, which represents a percentage variance against budget of 12.3%. The Portfolio forecast variance has moved adversely by **£0.06M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	0.71 A	0.65 A	0.06 A	12.3%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Bereavement Service	0.65 A	0.60 A	0.05 A
Libraries	0.03 A	0.05 A	0.02 F
Stronger Communities	0.03 A	0.00	0.03 A
Other	0.00	0.00	0.00
Total	0.71 A	0.65 A	0.06 A

There were no SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio.

3. ECONOMIC DEVELOPMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£1.38M**, which represents a percentage variance against budget of 45.5%. The Portfolio forecast variance has moved adversely by **£0.58M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	1.38 A	0.80 A	0.58 A	45.5%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Facilities Management	0.68 A	0.45 A	0.23 A
Central Repairs & Maintenance	0.24 A	0.00	0.24 A
Sustainability	0.15 A	0.00	0.15 A
Planning	0.14 A	0.08 A	0.06 A
Economic Development	0.08 A	0.05 A	0.03 A
Property Services	0.06 A	0.00	0.06 A
Property Portfolio Management	0.03 A	0.22 A	0.19 F
Total	1.38 A	0.80 A	0.58 A

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
Facilities Management	0.23 A	The adverse pressure is due to energy costs for administrative buildings including electricity and geothermal costs. The movement in the quarter is due to updated market rates increasing the forecast.
Central Repairs & Maintenance	0.24 A	The adverse movement in the quarter is due to the estimated revenue costs associated with the rationalisation of administrative buildings.

4. FINANCE & CHANGE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£2.24M**, which represents a percentage variance against budget of 5.8%. The Portfolio forecast variance has moved adversely by **£1.04M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	2.24 A	1.19 A	1.04 A	5.8%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Accounts Payable	0.15 A	0.00	0.15 A
Business Support	0.27 A	0.25 A	0.02 A
City Services - Waste Operations	0.50 F	0.06 F	0.44 F
Commercialisation	0.23 A	0.00	0.23 A
Corporate Finance	0.11 A	0.00	0.11 A
Highways Contracts	0.05 F	0.37 A	0.42 F
IT Services	0.73 A	0.70 A	0.03 A
Local Taxation & Benefits	0.90 A	0.00	0.90 A
Supplier Management	0.42 A	0.00	0.42 A
Other	0.02 F	0.07 F	0.05 A
Total	2.24 A	1.19 A	1.04 A

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
City Services - Waste Operations	0.44 F	The favourable movement in quarter 2 is predominately from a change in how the Fleet recharge rate for older vehicles is calculated to better reflect the whole life costs of the vehicles. There is a corresponding adverse variance in income in the Fleet Service.
Commercialisation	0.23 A	The existing Commercialisation savings target is £0.56M for this service area. Work has started to review fees and charges across all council services which is forecast to achieve additional income of £0.27M against the Commercialisation efficiency target. This is in part offset by the saving of £0.06M from the Commercialisation Manager post being vacant. The review of efficiency targets was undertaken in Q2.
Highways Contracts	0.42 F	The favourable movement in the forecast of £0.42M for this budget is as a result of the renegotiation of the PFI contract resulting in a favourable General Fund saving of £0.85M in Q2. This saving is offset by an increase in the forecast adverse position in the electricity costs budget for street lighting of £0.43M.
Local Taxation & Benefits	0.90 A	There is an estimated shortfall of £0.90M in the income budget for charges for council tax court costs. This budget will need to be reviewed as part of the forthcoming budget process. The court costs income budget was reviewed and assessed in Q2.
Supplier Management	0.42 A	There is a forecast adverse variance of £0.42M for the Supplier Management Service. The service is forecast to achieve £0.43M of their overall efficiency savings targets of £0.95M in the current financial year leaving an adverse variance of £0.52M. However, savings within the staffing budget due to staff vacancies are currently forecast to be £0.1M in the current year which reduces the overall adverse variance for the service to £0.42M. The review of efficiency targets was undertaken in Q2.

5. HEALTH, ADULTS & LEISURE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£3.37M**, which represents a percentage adverse variance against budget of 4.0%. The Portfolio forecast variance has moved adversely by **£0.98M** from the position reported at quarter 1

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	3.37 A	2.39 A	0.98 A	4.0%

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

Service Area	Forecast Variance Quarter 2 £M	Forecast Variance Quarter 1 £M	Variance Movement from Qtr 1 £M
Adults - Adult Services Management	0.32 F	0.10 F	0.22 F
Adults - Long Term	1.21 A	1.23 A	0.02 F
Adults - Provider Services	0.28 A	0.08 A	0.20 A
Adults - Reablement & Hospital Discharge	0.66 A	0.22 A	0.44 A
Adults - Safeguarding Adult Mental Health & Out Of Hours	0.88 A	0.25 A	0.63 A
ICU - Provider Relationships	0.63 A	0.65 A	0.02 F
ICU - System Redesign	0.04 A	0.06 A	0.02 F
Total	3.37 A	2.39 A	0.98 A

SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation
Adults - Safeguarding Adult Mental Health & Out of Hours	0.63 A	As at Quarter 2 there is a £0.63M adverse variance movement since Quarter 1 due to a net increase in the numbers of new clients and increase in cost of existing client packages for residential, nursing and direct payments.
Adults - Reablement & Hospital Discharge	0.44 A	As at Quarter 2 there is a £0.44M adverse variance movement since Quarter 1 due to additional costs of Discharge to Assess Care Act Assessments contract outsourced to an external provider, 50% of costs shared with the Clinical Commissioning Group.
Adults - Adult Services Management	0.22 F	As at Quarter 2 there is a £0.22M favourable variance movement since Quarter 1 due to a review of learning and development spend mainly taking into account essential spend criteria updates amounting to a £0.10M favourable variance, and a review of resources with some posts no longer being recruited to in 2022/23 amounting to a £0.12M favourable variance.
Adults - Provider Services	0.20 A	As at Quarter 2 there is a £0.20M adverse variance movement since Quarter 1 due to a forecast increase of overtime and external agency staffing at Kentish Rd and Holcroft House.

6. HOUSING & THE GREEN ENVIRONMENT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£0.18M**, which represents a percentage variance against budget of 2.2%. The Portfolio forecast variance has moved adversely by **£0.15M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	0.18 A	0.03 A	0.15 A	2.2%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Air Quality Monitoring	0.08 F	0.00	0.08 F
City Services – Commercial Services	0.03 F	0.07 F	0.04 A
City Services – District Areas	0.21 A	0.27 A	0.06 F
City Services – Trees & Ecology	0.08 F	0.09 F	0.01 A
City Services – Trading areas (Fleet & Landscapes)	1.27 A	0.07 F	1.34 A
Flood Risk Management	0.08 F	0.00	0.08 F
Housing Needs	1.00 F	0.00	1.00 F
Other	0.02 F	0.01 F	0.01 F
Total	0.18 A	0.03 A	0.15 A

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
City Services – Trading (Fleet & Landscapes)	1.34 A	There is an adverse movement in the forecast of £1.34M for the Fleet service following a change in how older vehicles are recharged across the authority. There are favourable variances across other services and in the Housing Revenue Account to offset the adverse variance in Fleet.
Housing Needs	1.00 F	The favourable variance of £1M relates to the anticipated claim of £1M funding for the Homes for Ukraine scheme, to cover costs incurred.

7. LEADER PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£0.26M**, which represents a percentage variance against budget of **2.04%**. The Portfolio forecast variance has moved favourably by **£0.38M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	0.26 A	0.64 A	0.38 F	2.04%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Cultural Services	0.31 A	0.54 A	0.23 F
Registration of Electors and Elections Costs	0.06 A	0.00	0.06 A
Strategic Management of the Council	0.15 F	0.00	0.15 F
Other	0.04 A	0.10 A	0.06 F
Total	0.26 A	0.64 A	0.38 F

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation
Cultural Services	0.23 F	The favourable movement in the forecast variance relates to a reduction in the pressure of staffing costs to run the venues of £0.09M as this has been offset by ongoing vacancies; £0.12M of surplus from reduced expenditure due to the essential spend only restrictions; and £0.02M reduction in the final spend on the Queen's Commonwealth Baton Relay compared to the estimate last forecast.

8. SAFER CITY PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a deficit of **£0.07M**, which represents a percentage variance against budget of 5.3%. The Portfolio forecast variance has moved adversely by **£0.03M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	0.07 A	0.04 A	0.03 A	5.3%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Community Safety	0.08 F	0.00	0.08 F
Port Health & Trading Standards	0.21 A	0.04 A	0.17 A
Environmental Health	0.06 F	0.00	0.06 F
Total	0.07 A	0.04 A	0.03 A

There were no SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio.

9. TRANSPORT & DISTRICT REGENERATION PORTFOLIO

KEY REVENUE ISSUES – QUARTER 2 2022/23

The Portfolio is currently forecast to have a surplus of **£1.40M**, which represents a percentage variance against budget of 168.7%. The Portfolio forecast variance has moved favourably by **£1.73M** from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Portfolio Forecast Outturn	1.40 F	0.33 A	1.73 F	168.7%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Parking & Itchen Bridge	0.24 A	0.34 A	0.10 F
Transportation	1.64 F	0.01 F	1.63 F
Total	1.40 F	0.33 A	1.73 F

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Portfolio are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
Transportation	1.63 F	<p>The movement in the forecast represents £0.18M from salary budget surpluses due to posts being budgeted at the top of the grade combined with a high level of vacancies in the School Crossing Patrol service. £0.22M relates to a surplus in funding for revenue related posts supporting the Transforming Cities Fund capital project. £0.19M relates to unbudgeted grant income and the e-scooter revenue share. £1.03M relates to a surplus due to a decline in concessionary fares as a result of slow COVID recovery, this has been offset by costs for the £1 evening bus fare and the 5 for £5 subsidies both schemes aimed at kick starting the city's economy. And £0.01M of surplus from reduced expenditure due to the essential spend only restrictions.</p>

10. NON-PORTFOLIO EXPENDITURE & INCOME

KEY REVENUE ISSUES – QUARTER 2 2022/23

Non-Portfolio budgets are currently forecast to have a surplus of **£2.62M**, which represents a percentage variance against budget of 1.2%. The forecast variance has moved favourably by £2.60M from the position reported at quarter 1.

	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Movement from Qtr 1 £M	% of budget
Non-Portfolio Forecast Outturn	2.62 F	0.02 F	2.62 F	1.2%

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

Service Area	Forecast Variance Qtr 2 £M	Forecast Variance Qtr 1 £M	Variance Movement from Qtr 1 £M
Levies & Contributions	0.00	0.00	0.00
Capital Asset Management	2.60 F	0.00	2.60 F
Other Expenditure & Income	0.00	0.00	0.00
Council Tax	0.00	0.00	0.00
Business Rates	0.00	0.00	0.00
Non-Specific Government Grants & Other Funding	0.02 F	0.02 F	0.00
Total	2.62 F	0.02 F	2.60 F

The SIGNIFICANT movements between quarter 1 and quarter 2 for the Non-Portfolio budgets are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
Capital Asset Management	2.60 F	Forecast reduction in capital financing costs following review of capital programme

Treasury Management

Borrowing and Investments

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

The Authority maintained its strategy of keeping borrowing and investments below their underlying levels in order to reduce risk and make a net saving.

2.

	31-Mar-22 Actual	31-Mar-22 Average Yield / Rate	30-Sep-22 Actual	30-Sep-22 Average Yield / Rate	31-Mar-23 Forecast	31-Mar-23 Forecast Average
	£M	%	£M	%	£M	%
Long Term Borrowing						
Public Works Loan	246.30	2.88	252.74	2.75	279.99	2.91
LOBO Loans from Banks	9.00	4.89	9.00	4.86	9.00	4.87
	255.30	2.95	261.74	2.88	288.99	2.82
Short Term Borrowing						
Other Local Authorities	0.00	0.00	0.00	0.00	0.00	4.25
Other	0.36		0.44	1.84	0.44	1.60
Total External Borrowing	255.66	0.00	262.18	2.86	289.43	2.78
Other Long Term Liabilities						
PFI Schemes	47.52	9.01	45.95	10.20	44.37	10.20
Deferred Debt Charges (HCC)	13.10	2.66	12.92	2.56	12.73	2.56
Total Gross External Debt	316.28	3.87	321.04	4.08	346.53	3.89
Investments:						
Managed In-House						
Government & Local Authority	0.00	0.00	(22.44)	1.80		
Cash (Instant access)	(54.50)	0.51	(16.82)	2.12	(20.00)	5.00
Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Bonds	(1.06)	5.27	(1.01)	5.27	(1.01)	5.27
Managed Externally						
Pooled Funds (CCLA) & Shares	(27.25)	3.81	(27.00)	3.76	(27.00)	3.00
Total Investments	(107.22)	3.46	(67.27)	3.44	(48.01)	3.88
Net Debt	209.06		253.77		298.52	

3. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net borrowing is expected to increase to £298.52M for the year.

During quarter 2 a review of the capital programme was undertaken which has resulted in a reduction in borrowing overall and a re-profiling of schemes to move borrowing into later years.

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.

As detailed below rates for new long term borrowing are higher than budgeted and are on an upward trend. However, the higher interest rates are having a positive impact on investment income, and this somewhat mitigates the impact on the revenue budget.

	Borrowing
5.	The forecast cost of financing the council's loan debt is £16.71M of which £5.49M relates to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.
6.	<p>Over the April-September period short term PWLB rates rose dramatically, particular in late September after the Chancellor's 'mini-budget' prompted a fall in sterling and rise in market interest rate expectations. Interest rates rose by over 2% during the period in both the long and short term.</p> <p>As an indication the 5-year maturity certainty rate rose from 2.30% on 1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%. Although interest rates across the board have risen, short-term borrowing from other local authorities remains at lower interest rates than long term borrowing.</p> <p>We currently do not have any short term debt, we anticipate borrowing short term before year end to replace maturing long term debt, expected reduction in reserves and to fund the 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.</p>
7.	The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
8.	As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
9.	<p>The Authority has an increasing CFR due to the capital programme and after future debt maturities currently has an estimated borrowing requirement of £30.73M for the year, as determined by the Liability Benchmark which considers capital spend, maturing debt, usable reserves and working capital.</p> <p>Rates continue on an upward trajectory and are currently above the rate used for setting budget. Further borrowing will be required during the year and rates will be monitored to determine the appropriate time; current advice is to take short term borrowing when required.</p>

	<u>Investment</u>
10.	<p>The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves. During the year investment balances have ranged between £109.37M and £66.45M and are currently £67.27M but are expected to reduce to £48M by year end.</p> <p>The increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, rose by around 1.5% for overnight/7-day maturities and by nearly 3.5% for 9-12 month maturities.</p> <p>By end September, the rates on DMADF deposits ranged between 1.85% (overnight) and 3.5% (6 months). The return on the Council's sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.48% - 0.54% in early April and between 1.95% and 2.13% at the end of September</p> <p>Forecast income is now £1.63M, £0.61M higher than originally budgeted.</p>
	<u>Investment Performance</u>
11.	<p>The council's advisors undertake quarterly investment benchmarking across its client base. We previously had a more diversified portfolio 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 have seen a fall in suitable instruments. With this in mind, and the changes to Prudential code to only borrow when cash flows dictate, our investments primarily now consist of a previous long-term investment in property funds and short term investments for cash flow purposes.</p>
12.	<p>Our current investments in bonds reduced from £3M to £1M following maturities in 2021/22 and we maintained the property funds at £27M, with all other cash being placed in short term deposits as shown in table in paragraph 2.</p>
13.	<p>As detailed in paragraph 10 our cash balances have continued to be higher than forecast but at £39.26M have reduced by £17.86M since June when we held £57.12M. Our target is to reduce this to a £20M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.</p>
14.	<p>Investments managed internally are currently averaging a return of 1.91% which is higher than the average unitary authority at 1.74% whilst maintaining the same credit rating at AA-.</p> <p>Total income returns at 2.74% is also higher than the average for both unitary (2.13%) and LA's (2.05%), this is primarily due to historic investment in EIB bonds which return 5.27%, although on a small balance of £1M, since maturities cannot be replaced at the same level.</p> <p>We hold 44% of our investments in strategic funds which offer higher return over the long term as detailed in paragraphs 15 to 18 below. This is higher than the average but in line with our strategy.</p> <p>In addition, due to the increase in the capital value of our external funds of +10.72% our total investment return at 7.42% is significantly higher than the average LA's at 1.47% and the average unitary at 2.27% across Arlingclose's client base, but as previously reported it is the income return that is the driver to invest.</p>

External Managed investments

15. 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.
16. Because these funds have no defined maturity date but are usually available for withdrawal after a notice period (90 days), their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.
17. 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. Considering their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.
18. The market improved since year end when the value was reported as £30.89M and this improvement continue into the first quarter when the value was reported at £32.51M. The has now fallen back to £31.13M a decrease of £1.38M since June but is still £4.13M above the initial investment of £27M.
- The dividend for April to June was £0.26M and has been estimated at £0.30M for July to September, 3.98% against the original investment, this is in line with 2021/22. If rates remain at this level the total forecast dividend for the year is £1.07M.

Financial Review and Outlook

19. 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.

Arlingclose's Economic Outlook for the remainder of 2022/23 (based on 26th September 2022 interest rate forecast)

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.25	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.25
Downside risk	0.00	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

20. The economic background has changed dramatically since last reported in June and there is further increased uncertainty. For contrast Arlingclose's forecast for June is included.

Arlingclose's Economic Outlook for the remainder of 2022/23 (based on the June 2022 interest rate forecast)

	Current	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	1.25	1.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.00	2.00	1.75	1.75
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75

21. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for September 2022 is based on the following Underlying Assumptions:

- Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year.
- The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.
- The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.
- This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.
- Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

22. Monetary policymakers are behind the curve having only raised rates by 50bps in September. This was before the “Mini-Budget”, which was poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation.

There is now an increased possibility of a special Bank of England MPC meeting to raise rates to support the currency. Followed by a more forceful stance over concerns on the looser fiscal outlook. The MPC is therefore likely to raise Bank Rate higher than would otherwise have been necessary given already declining demand. A prolonged economic downturn could ensue.

Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another Conservative leadership contest, a general election, or further tax changes including implementing windfall taxes.

The government's blank cheque approach to energy price caps, combined with international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.

UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.

The UK economy already appears to be in recession, with business activity and household spending falling. The short- to medium-term outlook for the UK economy is relatively bleak. Global bond yields have jumped as investors focus on higher and stickier US policy rates. The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government's shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government's plans are perceived to be fiscally responsible.

The housing market impact of increases in the Base Rate could act as a “circuit breaker” which stops rates rising much beyond 5.0%, but this remains an uncertainty.

Economic background

23. The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and -2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of -44 in August, down -41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. The September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the

purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from -0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

Financial markets

24. Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

Credit background

25. Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

	<u>Revision to CIPFA Codes</u>
26.	CIPFA published revised Prudential and Treasury Management Codes in December 2021. The Prudential Code took immediate effect although detailed reporting requirements could be deferred until the 2023/24 financial year and have not been included in this report whilst we are reviewing the impact of the proposed changes.
27.	<p>The main changes or expected changes from previous codes include:</p> <ul style="list-style-type: none"> • Additional reporting requirements for the Capital Strategy. • For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the Authority’s overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services). • Forward looking prudential code indicators must be monitored and reported to members at least quarterly. • A new indicator for net income from commercial and service investments to net revenue stream. • Inclusion of the liability benchmark as a treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority’s full debt maturity profile. • Excluding investment income from the definition of financing costs. • Credit and counterparty policies should set out the Authority’s policy and practices relating to Environmental, Social and Governance (ESG) investment considerations. • Additional focus on the knowledge and skills of officers and elected members involved in decision making
28.	Early indications are that future long-term investments, such as CCLA will be prohibited but we will not need to unwind existing investments.

KEY FINANCIAL RISKS

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

LIKELIHOOD (Probability)					
A - Almost certain	> 95%	↑	Is expected to occur in most circumstances		
B - Likely			Will probably occur in most circumstances		
C - Possible	50%		Might occur at some time		
D - Unlikely		↓	Could occur at some time		
E - Very Unlikely	< 5%		May only occur in exceptional circumstances		

IMPACT	5 - Minor	4 - Moderate	3 - Significant	2- Major	1- Extreme
Service delivery / key priorities	No noticeable effect	Some temporary disruption to a single service area/ delay in delivery of one of the council's objectives	Regular disruption to one or more services/ a number of corporate objectives would be delayed or not delivered	Severe service disruption on a directorate level / many corporate priorities delayed or not delivered	Unable to deliver most priorities / statutory duties not delivered
Financial Impact	Loss or loss of income < £10k	Loss or loss of income £10k - £499k	Loss or loss of income £500k - £4.99m	Loss or loss of income £5m < £9.99m	Loss or loss of income >£10m
Reputation	Internal review	Internal scrutiny required to prevent escalation	Local media interest. Scrutiny by external committee or body	Intense public, and media scrutiny	Public Inquiry or adverse national media attention

• Robustness of estimates

Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
	Likelihood	Impact		Likelihood	Impact
FE1. Interest rates are underestimated.	Likely	Major	<ul style="list-style-type: none"> Prudent estimates are made around future rates when costing the financing of the capital programme. Market intelligence provided by Treasury Management advisors. Treasury Management Strategy is aligned with CIPFA Code and DLUHC 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	Significant	<ul style="list-style-type: none"> 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. 	Possible	Significant
FE3. New income streams: Projected levels of income within the period are not achieved.	Possible	Significant	<ul style="list-style-type: none"> Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop that these levels of income will not be achieved. Higher risk as it is based on new sources of income. 	Possible	Significant
FE4. Volatility of Business Rates funding given the uncertainty around impact of successful appeals.	Likely	Major	<ul style="list-style-type: none"> The appeals provision has been reviewed and updated in light of known current appeals/challenges and potential threats and will be reviewed on a regular basis. 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 2017 rating list will be closed on 31 March 2023 and there may be an increase in the number of cases lodged as the deadline approaches. Legislation has been enacted to prevent appeals as a consequence of measures to control COVID-19. Billing authorities were allocated a share of a £1.5Bn COVID-19 Additional Relief Fund for 2021/22 to award discretionary relief to those business ineligible for existing support linked to business rates. 	Possible	Significant

- **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	Extreme	<ul style="list-style-type: none"> • Annual budget setting process developed in consultation with service managers • Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to EMB and Cabinet (Quarterly). • Action plans to address any significant in year budget variances are agreed with EMB with the status of the agreed actions reported to EMB on a monthly basis • Destination 22 action plan intended to reduce the number of Looked After Children 	Possible	Major
FE6a.	Third party provider costs will increase as a result of the introduction of the National Living Wage	Almost certain	Significant	<ul style="list-style-type: none"> • As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget. 	Possible	Significant
FE6b.	Third party provider costs increase as result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Unlikely	Significant	<ul style="list-style-type: none"> • ICU contract monitoring arrangements and general market oversight and intelligence • Market Sustainability and Fair Cost of Care grant funding has been received in 2022/23, at least 75% of which is to be used to increase fee rates (if rates are below the fair cost of care) 	Very Unlikely	Moderate
FE7.	Legal challenge to savings proposals that could result in the proposal being either discontinued or revised.	Possible	Significant	<ul style="list-style-type: none"> • Robust budget consultation process in place for any service redesign proposals. 	Unlikely	Moderate
FE8.	Pressure on returns from investment properties in both the short and longer term.	Possible	Major	<ul style="list-style-type: none"> • There is a full and robust process around the financial and legal analysis of the individual investments. • Investments are diversified between sectors. • No current plans to expand the Property Investment Fund 	Possible	Significant
FE9.	Voluntary sector is either unwilling or unable to support the delivery of certain services or activities	Possible	Major	<ul style="list-style-type: none"> • Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector 	Possible	Significant
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	Major	<ul style="list-style-type: none"> • 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	Significant
FE11.	The Council may receive reduced funding if Government make changes to the Local Government funding mechanism. Such changes may include removing the ring-fence for Public Health Grant and rolling it in to general funding.	Possible	Major	<ul style="list-style-type: none"> • The Council will plan for any proposed changes through the Medium Term Financial Strategy process. 	Possible	Major

- 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	Possible	Major	<ul style="list-style-type: none"> • For the business rates multiplier, the assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government. The government has frozen the business rate multiplier for 2022/23, however councils will be compensated for this via grants. • The MTFS includes assumptions on growth which have been reviewed in conjunction with the Development & Growth team and Business rates collection team, including pipeline developments and their assumed operational dates. This will be monitored on a frequent basis as part of the standard monitoring arrangements. • Business rates are set to be revalued with an effective date of April 2023. Dependent on the outcome of the revaluation exercise, this may impact on the level of retained business rates and/or their collectability. As far as reasonably practicable, the Government intend to adjust business rates top-ups/tariffs to eliminate the impact of the 2023 revaluation on local authorities' retained business rates. 	Possible	Significant
FR2.	Delivery of all of the agreed savings is not achieved.	Possible	Extreme	<ul style="list-style-type: none"> • Progress and delivery of the overall programme and individual projects is monitored at Executive Director level, by EMB, with any non achievement forming part of the normal budget monitoring action plan process. • EMB review the validity and achievability of projects and provide approval (or not) to projects 	Possible	Major
FR3.	The Government could impose a lower Council Tax referendum threshold and/or reduce or remove the Adult Social Care Precept	Possible	Significant	<ul style="list-style-type: none"> • SCC's 'core' Council Tax and Adult Social Care Precept were frozen in the 2022/23 budget. The MTFS assumes increases of 1.99% for 'core' Council Tax and no increase in the Adult Social Care Precept for future years. • The Adult Social Care Precept was introduced as part of the Autumn 2015 Spending Review and allowed local authorities with social care responsibilities to increase Council Tax provided it was ring-fenced to Adult Social Care budgets. • The option for a Social Care Precept has applied for a number of years and the Spending Review 2021 indicated a 1% flexibility is likely to apply for each year of the 3-year spending review (2022/23 - 2024/25). 	Possible	Significant
FR4.	Slippage in capital receipts (not accompanied by a slippage in spend).	Possible	Significant	<ul style="list-style-type: none"> • Non-receipt of any planned income will require a permanent draw from reserves, additional borrowing or for savings to be found in the capital programme. • Impact reflects the cost of borrowing in short term (the interest payments). 	Possible	Moderate
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	Major	<ul style="list-style-type: none"> • Surpluses are liable to change annually, either favourably or not, and this will be reflected in the annual review of stock investment needs and estimated unit rates. • Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget. 	Possible	Major
FR6.	The level of funds within the internal insurance provisions is inadequate to meet current or future demand	Possible	Significant	<ul style="list-style-type: none"> • The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds. • The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis. 	Unlikely	Significant

- 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	Extreme	<ul style="list-style-type: none"> • The Council's Reserves may be utilised in respect of the financial impact of such an event. • Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme. • In previous years the Government allocated un-ringfenced support funding to local authorities to meet COVID-19 pressures and provided funding to meet some fees and charges income losses and some irrecoverable tax losses, as well as providing some ring-fenced grant funding for specific measures e.g. infection control. No un-ringfenced funding has been provided for 2022/23, so use of reserves may be required to meet any COVID-19 expenditure or income losses. 	Possible	Major
FR8.	The cost of implementing the Care Act 2014 is greater than anticipated.	Possible	Significant	<ul style="list-style-type: none"> • The Government announced a new basis for Social Care provision on 7 September 2021, with a "cap and floor" scheme being implemented from October 2023 to be funded via a new Health and Social Care Levy. In the Growth Plan announced on 23 September 2022 the Health and Social Care Levy was scrapped, however, as yet, no changes to adult social care reforms have been proposed. • No costing analysis has been provided so it is unclear whether the quantum of funding earmarked at a national level will be sufficient to cover the costs of the scheme. There is also a risk that the method for distributing the funding will be unfavourable to the Council. • The 2022/23 Services Grant announced in the Provisional Local Government Finance Settlement provides funding to meet the Council's cost of the new Health and Social Care Levy (payable from April 2022), however this funding is only guaranteed for 1 year. There is a possibility that the funding may be removed from local government resources in 2023/24 following the scrapping of the Health and Social Care Levy. 	Possible	Significant
FR9.	CCG could seek to reduce its level of contribution to the 'pooled budgeting' arrangement with SCC	Possible	Major	<ul style="list-style-type: none"> • Ongoing relationship and dialogue with CCG re shared objectives and outcomes. 	Unlikely	Significant
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	Significant	<p>The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against.</p>	Possible	Significant
FR11.	Inflation increases at a higher rate than anticipated	Likey	Significant	<ul style="list-style-type: none"> • Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2022/23. CPI is currently running at 10.1% (September 2022), well above the level that had been anticipated. • Market intelligence provided by Arlingclose - independent treasury advisors. • An amount is included in the MTFS to cover key elements of inflation, based on assumed inflation rates at the time the MTFS is agreed. • Beyond this provision, it would be managed as an 'in year' issue and services would normally be expected to absorb the difference. 	Likely	Significant
FR12.	Pay Inflation is at a higher rate than anticipated	Likely	Major	<ul style="list-style-type: none"> • The MTFS model approved in February 2022 was based on a pay award of 2.5% for 2022/23 and 2.0% thereafter. • Pay awards for the majority of local government employees are agreed through the National Joint Council for Local Government Services, with representatives from both employers and trade unions. • The employer's side of the NJC has made an offer of a £1,925 flat rate increase on all spinal column points. This is equivalent to a 5.6% increase for SCC. 	Likely	Significant

FR13.	Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Significant	<ul style="list-style-type: none"> • <i>National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment.</i> • <i>There may be either pressure or incentives for non UK owned business to move operations back to within an EU country.</i> • <i>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.</i> 	Likely	Significant
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- Adequacy of proposed financial reserves

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR14.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation	Possible	Significant	<ul style="list-style-type: none"> • A Projects and Change Team is in place. A full programme management approach is taken, including planning and risk assessment, with significant support to major projects. 	Unlikely	Significant
FR15.	New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur.	Possible	Significant	<ul style="list-style-type: none"> • 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 Government put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23. Local authorities are lobbying for the mitigation to be extended. If it isn't, the Medium Term Financial Risk Reserve will be used to manage the volatility that the timing difference may cause. 	Unlikely	Significant
FR16.	COVID-19 will adversely impact on budgets	Almost certain	Major	<ul style="list-style-type: none"> • COVID-19 is having ongoing financial effects, as well as introducing significant uncertainty for future financial projects. Major income streams are likely to be impacted, such as council tax and business rates, as well as numerous service costs rising due to increased demand e.g. for social care. The Council included anticipated additional expenditure/income losses in the MTFS agreed in Feb 2021. The MTFS will continue to be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates. 	Almost certain	Significant
FR17.	The cumulative deficit on the Dedicated Schools Grant (DSG) may have to be met from the General Fund if the statutory override is not extended.	Possible	Extreme	<ul style="list-style-type: none"> • The cumulative DSG deficit, forecast to be £10.24M at the end of 2022/23, is being held in a separate account in accordance with legislation. The statutory override runs out at the end of 2022/23. • Work is being undertaken as part of the DfE programme Delivering Better Value in Special Education Needs & Disabilities to reduce costs. 	Possible	Major

FINANCIAL HEALTH INDICATORS – QTR 2 2022/23

Prudential Indicators Relating to Treasury

	<u>Maximum</u>	<u>Forecast</u>	<u>Status</u>
Maximum Level of External Debt £M	£975M	£418M	Green
As % of Authorised Limit	100%	42.87%	Green
	<u>Maximum</u>	<u>Highest YTD</u>	<u>Status</u>
Authorised Limit for external debt £M	£975M	£327M	Green
Operational Limit for external debt £M	£850M	£327M	Green
Maximum external borrowing year to date	£785M	£266M	Green
Limit of fixed interest debt %	100%	83.2%	Green
Limit of variable interest debt %	50%	16.8%	Green
Limit for Non-specified investments £M	£100M	£28M	Green
Other Treasury Performance Indicators	<u>Target</u>	<u>Actual Qtr 2</u>	<u>Status</u>
Average % Rate Long Term New Borrowing	2.40%	2.94%	Red
Average % Rate Existing Long Term Borrowing	3.00%	2.83%	Green
Average Short Term Investment Rate - Cash	0.01%	2.12%	Green
Average Short Term Investment Rate – Fixed	0.01%	1.80%	Green
Average Long Term Investment Rate - Bonds	2.00%	5.27%	Green
Average Return on Property Fund	4.00%	3.98%	Amber
Average Return on All Investments	2.40%	3.44%	Green

Minimum Level of General Fund Balances

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

Income Collection

	<u>2022/23 Target</u>	<u>Qtr 2 YTD</u>	<u>Status</u>
Collection rate	>100%	96.92%	Amber
Average days sales outstanding	</= 62 days	83	Red
Outstanding debt more than 12 months old	</= 20.52%	27.85%	Red
Debt written off	</= 1%	0.40%	Green

Creditor Payments

	<u>2022/23 Target</u>	<u>Qtr 2 YTD</u>	<u>Status</u>
Valid and undisputed invoices paid within 30 days	96%	82.97%	Red

Tax Collection rate

	<u>2021/22</u> <u>Actual</u> <u>Rate</u>	<u>Target</u> <u>Collection</u> <u>Rate</u>	<u>Qtr 2 Collection Rate</u>		<u>Status</u>
			<u>Last Year</u>	<u>This Year</u>	
Council Tax	92.67%	95.20%	52.87%	53.05%	Amber
National Non Domestic Rates	95.90%	97.56%	53.54%	58.35%	Green

HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2022/23

The Housing Revenue Account is currently forecast to have a nil variance against the budgeted deficit for the year, no movement from the position forecast at quarter 1.

	Budget Qtr 2	Annual Forecast Qtr 2	Forecast Variance Qtr 2	Forecast Variance Qtr 1	Variance Movement from Qtr 1
	£M	£M	£M	£M	£M
Expenditure					
Responsive & cyclical repairs	20.63	21.45	0.82 A	1.12 A	0.30 F
Rents payable	0.10	0.20	0.10 A	0.10 A	0.00
Debt management	0.08	0.08	0.00	0.00	0.00
Supervision & management	25.05	25.85	0.80 A	0.84 A	0.04 F
Interest & principal repayments	5.16	4.86	0.30 F	0.00	0.30 F
Depreciation	23.76	21.86	1.90 F	1.90 F	0.00
Direct revenue financing of capital	2.54	2.40	0.14 F	0.78 F	0.64 A
Total Expenditure	77.33	76.71	0.62 F	0.62 F	0.00
Income					
Dwelling rents	(71.84)	(71.22)	0.62 A	0.62 A	0.00
Other rents	(1.18)	(1.18)	0.00	0.00	0.00
Service charge income	(2.34)	(2.34)	0.00	0.00	0.00
Leaseholder service charges	(1.05)	(1.05)	0.00	0.00	0.00
Interest received	0.00	0.00	0.00	0.00	0.00
Total Income	(76.41)	(75.79)	0.62 A	0.62 A	0.00
(SURPLUS)/DEFICIT	0.92	0.92	0.00	0.00	0.00

NB Numbers are rounded

The SIGNIFICANT movements between quarter 1 and quarter 2 for the HRA are:

Service Area	Movement in Forecast Variance Between Qtr 1 and Qtr 2 £M	Explanation:
Responsive and Cyclical repairs	0.30 F	The recharge rate applied to Housing Operatives has been updated mid-year to take into account cost pressures in 2022/23. This will ensure a fairer distribution of cost to the capital programme and will reduce pressure on the Housing Revenue Account.

Interest & Principal repayments	0.30 F	A review of the Housing capital programme during July 2022 identified a likely underspend. This, combined with underspend on the capital programme at the end of 2021/22 has allowed the interest forecast to be reduced by £0.3M.
Direct Revenue Financing	0.64 A	Efforts are being made to ensure the working balance to the HRA is maintained at £2M. The level of saving still to be achieved is £0.14M, a reduction of £0.64M since Quarter 1.

Landlord Controlled Heating Account

The Council provides landlord controlled heating to 5,664 tenants and leaseholders across the City. Costs are incurred by the Council in respect of electricity, gas and geothermal power, and are subsequently recharged to tenants. The charges to tenants increased in 2022/23 by 16%, and energy costs have significantly increased (88% for electricity, 150% for gas). The current projected deficit on the account for 2022/23 is as follows:

	£M
Forecast energy cost	7.50
Forecast full year income	(4.60)
In-Year Deficit	2.90
Deficit brought forward from 2021/22	0.88
Deficit carried forward to 2023/24	3.78

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2023

	Current Budget 2022/23 £M	Forecast 2022/23 £M	Variance Adverse / (Favourable) 2022/23 £M
Council Tax			
Total Council Tax Income	(128.46)	(128.74)	(0.29)
Total Council Tax Expenditure (incl. precepts)	131.37	131.21	(0.17)
Council Tax Deficit/(Surplus) for the Year	2.92	2.47	(0.45)
Council Tax Deficit/(Surplus) Brought Forward	(2.65)	(2.76)	(0.11)
Council Tax Deficit/(Surplus) Carried Forward	0.26	(0.29)	(0.56)
Business Rates			
Total Business Rates Income	(123.32)	(120.63)	2.69
Total Business Rates Expenditure	99.05	96.78	(2.26)
Business Rates Deficit/(Surplus) for the Year	(24.27)	(23.84)	0.43
Business Rates Deficit/(Surplus) Brought Forward	26.26	17.11	(9.15)
Business Rates Deficit/(Surplus) Carried Forward	1.99	(6.73)	(8.72)
Total Collection Fund (Surplus)/Deficit	2.26	(7.03)	(9.28)
Council Tax (Surplus)/Deficit			
Contribution (to)/ from SCC		(0.25)	
Contribution (to)/ from HPCC		(0.04)	
Contribution (to)/ from H and IOW F&R		(0.01)	
Council Tax Collection Fund Balance c/f		(0.29)	
NDR (Surplus)/Deficit			
Contribution (to)/ from SCC		(3.30)	
Contribution (to)/ from DLUHC		(3.37)	
Contribution (to)/ from H and IOW F&R		(0.07)	
NDR Collection Fund Balance c/f		(6.73)	
Total SCC (Surplus)/Deficit		(3.55)	
ADD: Variance in grant estimated as due from Government (General Fund)		(1.18)	
ADD: Shortfall in grant income c/f from 2021/22 due to deferral of CARF schei		4.43	
NET SCC (Surplus)/Deficit for future budget purposes at Qtr 2		(0.29)	

GENERAL FUND & HRA: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Portfolio	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source	App. 2 Ref
<u>Additions to the Programme</u>					
Children & Learning	DT Block renovations - Great Oaks	0.26	**	Government Grant	
Economic Development	Council Corporate Buildings	1.32	^	Council Resources	4
Housing & the Green Environment	Weston Shore Coastal Erosion	0.03	**	Grant	
	High Priority Play Areas	0.30	**	CIL	
		0.33			
Safer City	Safer City - Motorcycle interventions	0.50	^	CIL	12
Transport & District Regeneration	Itchen Bridge	0.70	^	CIL	13
	Safer Streets	0.50	^	CIL	14
		1.20			
Total Additions to the GF Programme		3.61			
Total Additions to the HRA Programme	Lift Refurbishment - Shirley Towers	0.40	**	Council Resources	
Total Additions to the Overall Programme		4.01			
<u>Reductions to the Programme</u>					
Communities & Customer Engagement	Extend Library Opening Hours	(0.25)	^	Council Resources	5
Finance & Change	Corporate Assets Decarbonisation Scheme(CADS)	(4.11)	^	Council Resources	6
	Civic Centre Upgrade	(2.50)	^	Council Resources	7
	IT Equipment and Software Refresh	(0.50)	^	Capital Receipts	8
		(7.11)			
Health, Adults & Leisure	Golf Course	(0.50)	^	Council Resources	9
Housing & the Green Environment	Green City Action Plan	(0.30)	^	Council Resources	10
	Hoglands Park & Pavillion	(1.00)	^	Council Resources	11
		(1.30)			
Transport & District Regeneration	Highways	(0.50)	^	CIL	14
	Public Transport - Zebra	(0.07)	^	Government Grant	15
	LordswoodClose - Unadopted Road	(0.25)	^	Council Resources	16
		(0.82)			
Total Reductions to the GF Programme		(9.98)			
Total Variations to the Overall Programme		(5.97)			
		£M			
	* - Approved By Council/Cabinet	0.00			
	** - Approved under Delegated Powers	0.99			
	^ - Require Approval	(6.96)			
Total Variations to the Overall Programme		(5.97)			

Agenda Item 8

Appendix 2

DECISION-MAKER:	CABINET		
SUBJECT:	UPDATE ON BUDGET FORECAST FOR 2023/24 ONWARDS AND SAVINGS PLANS		
DATE OF DECISION:	8 NOVEMBER 2022		
REPORT OF:	CABINET MEMBER FOR FINANCE & CHANGE		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
	Name:	John Harrison	Tel: 023 80834897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title:	Head of Financial Planning & Management	
	Name:	Steve Harrison	Tel: 0739 2864525
	E-mail:	Steve.Harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

This report provides an update on the budget position for 2023/24 and beyond. It highlights the financial position of the 2023/24 budget and an update on actions being taken to achieve a balanced budget for next year.

The council is facing severe financial challenges and the proposals within this report do not achieve a balanced budget for 2023/24. As set out in paragraph 28 a shortfall is currently forecast of around £28.90M. There is also a budget gap forecast for future years of £26.23M in 2024/25 rising to £31.57M in 2026/27.

In meeting this remaining £28.90M shortfall in 2023/24, the council has the following options available:

- Further savings/efficiency measures
- Reducing commitments made in previous years, including in the capital programme
- Using the option for an increase on the council tax for adult social care, if made available in the local government finance settlement
- Some use of reserves

The budget process for 2023/24 is very challenging indeed, with many local councils facing severe cost pressures at a time when there is an increasingly strong demand for local authority services. The combination of sharp increases to many of our costs, coupled with significantly higher demand for local services, is behind unprecedented difficulties in working towards a balanced budget for 2023/24.

In seeking to meet the legal requirement for a balanced budget in 2023/24, it is vital the council considers the full range of its spending plans. The council should not look to place an excessive reliance on reserves when seeking to balance its budget. It is one of the principles of the national Financial Management Code that the authority

applies a financial management style that promotes financial sustainability over the medium term, underpinned by a credible assessment of financial resilience. The report identifies some use of reserves as an option to help close the budget gap forecast of £28.9M for 2023/24. Whilst the unallocated sum within the Medium Term Financial Risk (MTFR) reserve is currently estimated at £41.2M this doesn't include any contribution to the forecast in-year deficit, which was reported as £15.2M as at quarter 1 to Cabinet (note that an update for quarter 2 will be reported to Cabinet on 15 November).

Use of reserves is simply a one-off measure which doesn't address the underlying deficit position, and once applied the reserves are not available for other potential use, such as providing a safety net against risks or to help with one-off costs such as service transformation work. Reliance on a large draw on reserves to balance the budget therefore has major disadvantages:

- It greatly reduces the financial resilience of the council
- It significantly increases the council's exposure to future risks
- It compromises 'invest to save' and transformation work as it depletes the one-off resources available for such programmes and initiatives
- The backstop reserves provide against the non delivery of saving plans and future overspends is also compromised, meaning there is much reduced leeway if things do not run according to plan or within budget assumptions

For the above reasons, use of reserves should be limited as far as possible when looking to balance the budget, taking account of the exposure to risk any use causes and how it may limit future options on how to deliver savings and manage the risks of any non delivery of planned savings. The S151 Officer has a legal duty to provide a view, as a part of the budget report in February, on the adequacy of reserves and the robustness of the budget estimates. Recent events with COVID and the economic effects from the invasion of the Ukraine demonstrate the importance of a budget that has sound reserves as reliance against potential shocks, as well as providing a necessary buffer when more ambitious efficiencies and savings are required.

The budget situation is also in a state of rapid flux, for example with national issues such as the Government's 23 September 2022 Growth Plan announcement impacting upon interest rates. Given the uncertainty and frequently changing nature of the financial strains and pressures faced, the Medium Term Financial Strategy (MTFS) is under constant review. A more detailed update to the Strategy will therefore be given to Cabinet in due course.

RECOMMENDATIONS	
It is recommended that Cabinet:	
	General Fund
i)	Notes the update within this report and the work being undertaken to achieve a balanced budget for 2023/24.
ii)	Notes the initial draft savings proposals being consulted upon set out in appendix 1.
iii)	Notes that even with the proposals contained in this report, a budget shortfall of £28.90M is still currently forecast for 2023/24 and notes the

	options available to produce a balanced budget.
Housing Revenue Account	
iv)	Notes the update within this report and the work being undertaken to achieve a viable 40-year business plan.
v)	Notes the initial HRA draft savings proposals being consulted upon set out in appendix 2.
vi)	Notes the proposed increases to Landlord Controlled Heating charges being consulted on as set out in paragraph 47.

REASONS FOR REPORT RECOMMENDATIONS

1.	This report is submitted for consideration as part of good practice in establishing draft budget proposals in advance of the financial year.
2.	The production of a financial forecast and an outline timetable are a requirement of the Council's Budget and Policy Framework Procedure Rules.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.	The proposals presented in this report represent the Cabinet's initial proposals for the 2023/24 budget and medium-term financial strategy, which are being published for consultation. There are a number of variables and alternative options that could be implemented as part of the budget. Further proposals to achieve a balanced budget for 2023/24 will be brought forward in subsequent reports. The budget will be set by Full Council in February 2023.
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DETAIL (including consultation carried out)

	<u>Background</u>				
4.	Full Council approved a 4-year Medium Term Financial Strategy (MTFS) in February 2022, the objective of which is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's priorities whilst delivering a balanced budget.				
5.	Table 1 below shows the MTFS position as reported in February 2022. This shows a recurrent budget shortfall of around £21M - £23M per annum after 2022/23.				
6.	<u>Table 1 – February 2022 Forecast Budget Shortfall 2022/23 to 2025/26</u>				
		2022/23	2023/24	2024/25	2025/26
		£M	£M	£M	£M
	Net Expenditure	193.05	225.10	228.63	233.95
	Funding	(193.05)	(201.67)	(207.17)	(212.00)
	Forecast Budget Shortfall	0.00	23.43	21.46	21.95
	<u>2022/23 General Fund Forecast Outturn</u>				
7.	A forecast £15.24M revenue deficit on the General Fund for 2022/23 as at the end of June 2022 was reported to Cabinet at its meeting on 16 August 2022. As noted in the report, the council faces severe financial pressures, not only from high demand for services, particularly within social care, but also due to the impact of high levels of inflation in salaries, utilities, debt financing and construction. The shortage in the labour market across many sectors, has increased the usage of interim and agency workers at an increased cost. Many of these financial pressures are on-going into				

	future years and are reflective of national pressures, but with a local impact and need to address.
8.	Mitigation plans to reduce the forecast deficit have been developed and put into action. A report to Cabinet on 15 November 2022 on the financial monitoring for the period to the end of September 2022 will provide an updated position.
	<u>National Public Expenditure Plans</u>
9.	The 2021 spending review set out government departmental budgets for the period 2022/23 to 2024/25. Excluding funding for social care reform, the spending review included £4.8Bn nationally of additional funding for local government, £1.6Bn in each of the 3 years, with no growth planned for the 2 nd or 3 rd years.
10.	Following the then Chancellor of the Exchequer's Growth Plan announced on 23 September 2022 and subsequent events, it is uncertain whether the government will be sticking to spending settlements for local government for this spending review period. It was also stated when the Growth Plan was announced that funding for health and social care services would be maintained at the same level as if the Health and Social Care Levy (now being abolished) was in place, however this may no longer be the case.
11.	There is still much uncertainty about the level of funding local government will receive for 2023/24. The position may become clearer when the Chancellor announces his Autumn Statement on 17 November 2022. For financial planning purposes it has been assumed that the overall quantum of funding for local government will remain the same as in the 2021 spending review. No additional funding for inflationary or other pressures being experienced by local government is expected, which means a significant reduction in funding in real terms.
12.	There have been no formal announcements on the local government fair funding review or business rates retention reset, however media coverage suggests that implementation will be delayed for at least another year. Until any more detail is provided, it has been assumed that the council will be no better or worse off in funding terms from any policy changes resulting from reviews to the local government finance system. This includes an assumption that the Services Grant, allocated in the 2022/23 local government finance settlement on a one-off basis (and worth £3.8M to Southampton), will continue at the same level over the medium term. This grant included funding for the increase in employer National Insurance Contributions/Health and Social Care Levy and there is a risk that some or all of the grant may be withdrawn.
13.	The 2021 spending review included £5.4Bn of funding for local government for the social care reforms due to be introduced from October 2023, of which £3.6Bn is for the "care cap" and changes to capital limits. The government recently consulted on the methodology for distributing the funding for social care charging reforms, however the outcome is not yet known. Much will depend on how Government distributes extra funds to support these national reforms, but it is widely expected by local authorities that the local costs of the changes will exceed the extra Government funding provided. Due to the uncertainty, this potential extra cost is <u>not</u> yet factored into future budget shortfall estimates.
	<u>2023/24 Budget and MTFS</u>
14.	The February 2022 MTFS noted in paragraph 6 shows a recurrent budget shortfall over the medium term. In developing a balanced budget for 2023/24, it is therefore important to keep sight of the financial position for future years, so that decisions

made in setting next year's budget are not detrimental to ensuring a sustainable budget over the medium term. As noted in paragraph 65, members have a legal duty in considering future local taxpayers as well as current local taxpayers when agreeing the budget for the year. For these reasons a further year has been added to the medium-term financial forecast so that it covers the 4-year period 2022/23 to 2026/27.

15. Table 2 below sets out the updated forecast budget shortfall over the period of the medium-term financial forecast taking into account assumed funding changes, use of reserves, budget and inflationary pressures, and draft savings proposals. Further details are provided in the following paragraphs.

16. Table 2 – Updated Forecast Budget Shortfall

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M
Forecast Budget Shortfall February 2022 (after agreed savings)	23.43	21.46	21.95	21.95
Funding Changes	(6.82)	(6.82)	(6.82)	(6.82)
Use of Reserves	(1.00)			
Budget and Inflationary Pressures	30.34	27.80	29.78	35.94
Draft Savings Proposals	(17.05)	(16.21)	(18.82)	(19.51)
Updated Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57

NB Numbers are rounded

Funding Changes

17. The £3.82M Services Grant received on a one-off basis in the 2022/23 local government finance settlement is assumed to continue, along with all other grants notified in the settlement, with the exception of New Homes Bonus which is assumed to cease. There is a risk that funding may be reduced if the government removes funding for the Health and Social Care Levy from the total distributed.

18. Based on our modelling of costs and funding options for the social care charging reforms, there is a risk of a shortfall in funding of up to £1.1M in a full year, depending on the methodology selected for distributing the funding. This risk has not been factored into the updated budget shortfall as the distribution of funding for other aspects of the reforms has yet to be confirmed.

19. Business rates payable (before any reliefs are applied) is a product of the rateable value of a property and the business rates multiplier. The multiplier is normally updated each year with reference to the Consumer Price Index 12-month rate for September of the preceding year. The February 2022 MTFS assumed the multiplier for 2023/24 would increase by 4.0 per cent, however the actual September 2022 CPI 12-month rate was 10.1 per cent. The larger increase in the multiplier is expected to generate an additional £3.0M of retained business rates income. There is a risk that if the government decide to increase the multiplier by a lower amount, or not at all, that the council may not be fully compensated.

20. The MTFS agreed in February 2022 assumed council tax increases of 2 per cent a year for 2023/24 to 2025/26 and did not include any increase in the adult social care precept. The updated forecast maintains this position. However, if the government continues with the policy set out in the 2021 spending review it is likely that local authorities with social care responsibilities will be given the flexibility to raise council

	tax by 1 per cent specifically for adult social care budget pressures. A further 1 per cent would generate an additional £1.1M of council tax income.
	<u>Reserves and Balances</u>
21.	<p>The balance on General Fund earmarked revenue reserves (excluding schools' balances) at the end of 2021/22 was £96.19M. This included revenue grants totalling £20.93M carried forward, all of which are expected to be used in 2022/23. By the end of 2022/23 the forecast balance on reserves (excluding schools' balances) is £52.15M. The Medium-Term Financial Risk reserve is currently estimated as having a £41.19M balance unallocated at the end of the end of the MTFS period, after using £1.00M to help meet budget pressures in 2023/24. However, this doesn't include any contribution towards the in-year deficit noted at paragraph 7.</p> <p>The forecast for General Fund earmarked reserves doesn't include the deficit on the Dedicated Schools Grant (DSG) which is being held in a separate account in accordance with legislation relating to the period 2020/21 – 2022/23. The cumulative DSG deficit at the end of 2021/22 was £11.09M and is expected to reduce to £10.24M by the end of 2022/23. If the statutory override isn't extended this deficit may have to be met from the General Fund, which is a further major risk to the Council's finances and future resilience.</p>
22.	At the end of 2021/22 general balances stood at £10.07M and are expected to be maintained at this level in 2022/23 to provide for any unknown risks.
	<u>Budget and Inflationary Pressures</u>
23.	The total estimate of budget and inflationary pressures for 2023/24 is £30.34M as shown in table 2 above. The majority of this is for pressures being experienced in 2022/23 which are on-going in future years. Children's social care and adults social care, in particular, are experiencing a high demand for services, which constitutes about half of the budget pressures (£14.93M). High levels of inflation mean forecast contract price increases and pay awards cannot be contained within existing inflation and contingency budgets, resulting in a £3.00M pressure, with a further £3.00M pressure for energy costs alone. Recent increases in interest rates are also expected to result in a £1.75M increase in borrowing costs in 2023/24.
	<u>Draft Savings Proposals</u>
24.	A series of sessions have been held with individual Executive Directors to identify savings proposals to address the budget shortfall, as well as the Executive Management Board working collectively to identify savings that could be made on an authority-wide basis.
25.	The emphasis on savings continues to be on driving through efficiencies and costs reductions with a view to protecting front line services and council priorities. The total of draft savings proposals for 2023/24 is £17.05M as shown in table 2 above, rising to £19.51M by 2026/27. Details of savings proposals being consulted upon are provided in appendix 1 and a summary of other draft savings proposals is provided in table 3 below.

26.	<p>Table 3 Summary of Other Draft Savings Proposals</p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>Efficiency measures</td> <td>(12.60)</td> <td>(11.85)</td> <td>(15.03)</td> <td>(15.72)</td> </tr> <tr> <td>Income generation proposals</td> <td>(1.28)</td> <td>(1.97)</td> <td>(1.90)</td> <td>(1.90)</td> </tr> <tr> <td>Other savings proposals</td> <td>(2.15)</td> <td>(1.34)</td> <td>(0.84)</td> <td>(0.84)</td> </tr> <tr> <td>Total Other Draft Savings Proposals</td> <td>(16.03)</td> <td>(15.16)</td> <td>(17.77)</td> <td>(18.46)</td> </tr> </tbody> </table> <p style="text-align: center;">NB Numbers are rounded</p>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Efficiency measures	(12.60)	(11.85)	(15.03)	(15.72)	Income generation proposals	(1.28)	(1.97)	(1.90)	(1.90)	Other savings proposals	(2.15)	(1.34)	(0.84)	(0.84)	Total Other Draft Savings Proposals	(16.03)	(15.16)	(17.77)	(18.46)
	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M																						
Efficiency measures	(12.60)	(11.85)	(15.03)	(15.72)																						
Income generation proposals	(1.28)	(1.97)	(1.90)	(1.90)																						
Other savings proposals	(2.15)	(1.34)	(0.84)	(0.84)																						
Total Other Draft Savings Proposals	(16.03)	(15.16)	(17.77)	(18.46)																						
27.	<p>Work will continue on the draft savings measures included in this report to ensure that plans are in place to achieve and deliver the savings to both the time and scale needed, ahead of inclusion in the budget report at February Council as a robust set of proposals.</p>																									
	<p>Budget Gap</p>																									
28.	<p>Table 2 indicates a budget shortfall of £28.90M for 2023/24 even after taking into account new draft savings proposals, which is higher than the starting position due to the severity of budget pressures and the impact of inflation.</p>																									
29.	<p>All authorities are required by statute to set an annual budget that balances income and expenditure, hence work will need to continue to ensure proposals for a balanced budget for 2023/24 can be considered by Council at its meeting in February 2023, by eliminating the forecast £28.90M shortfall.</p>																									
30.	<p>Possible measures include applying a 1 per cent Adult Social Care Precept (if this flexibility is given to local authorities) and use of 2021/22 outturn surpluses held within reserves that are not required to meet the 2022/23 deficit. Table 4 sets out what the revised position would be with these measures.</p>																									
31.	<p>Table 4 – Revised Forecast Budget Shortfall</p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td>Updated Forecast Budget Shortfall November 2022</td> <td>28.90</td> <td>26.23</td> <td>26.10</td> <td>31.57</td> </tr> <tr> <td>If apply 1 per cent Adult Social Care Precept</td> <td>(1.10)</td> <td>(1.10)</td> <td>(1.10)</td> <td>(1.10)</td> </tr> <tr> <td>If available 2021/22 outturn surpluses are applied</td> <td>(2.78)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revised Forecast Budget Shortfall</td> <td>25.02</td> <td>25.13</td> <td>25.00</td> <td>30.47</td> </tr> </tbody> </table> <p style="text-align: center;">NB Numbers are rounded</p>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Updated Forecast Budget Shortfall November 2022	28.90	26.23	26.10	31.57	If apply 1 per cent Adult Social Care Precept	(1.10)	(1.10)	(1.10)	(1.10)	If available 2021/22 outturn surpluses are applied	(2.78)				Revised Forecast Budget Shortfall	25.02	25.13	25.00	30.47
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32.	<p>Publication of the Chancellor’s Autumn Statement in mid-November may provide some indication of funding for 2023/24, however individual local authority allocations will not be known until the Provisional Local Government Finance Settlement, which is expected to be announced in late December 2022. This is very late in what is an extremely challenging budget process. If assumptions on funding are inaccurate there will be very little time to make any further budget adjustments.</p>																									
33.	<p>Failing the identification of any further proposals to reduce commitments, mitigate pressures or additional savings, any remaining gap in 2023/24 would need to be met through use of reserves. Any significant use of reserves to meet the in-year deficit</p>																									

	and/or 2023/24 budget gap would deplete the reserves available to deal with any financial risks or for invest to save measures. As reserves are one-off in nature, this would only be a short-term measure and significant on-going reductions in net revenue expenditure, through income generation, efficiencies or other measures, would need to be identified in order to achieve a balanced budget in future years.
	<u>Capital Programme</u>
34.	The capital programme has been reviewed, taking into account expected slippages, re-phasing and a review of priorities. This has led to a re-estimation of the sum needed for capital financing in 2023/24 and future years. The reduced cost has been included in the draft savings proposals as one of the ways that contributes to balancing the budget next year.
	<u>Summary – General Fund</u>
35.	<p>The updated forecast for the 2023/24 budget shortfall, at £28.9M as per table 2 represents a larger shortfall than the £23.4M originally estimated in the Medium Term Financial Strategy at the time of the February 2022 Council budget meeting. This is even <u>after</u> allowing for the £17.1M identified draft savings proposals. The situation is one of unprecedented budget pressures, with the following being major factors:</p> <ul style="list-style-type: none"> • Strong demand for Adults and Children’s Social Care • Increasing costs for Home to School Transport • Inflationary pressures – with RPI reported at 12.6% having an impact across the board on our costs • Exceptionally high increases to energy costs • The nationally set pay award, which has yet to be agreed, but on the basis of the Employer offer made it will exceed the budget provision set for 2022/23 by at least £3.9M • Much higher interest rates than anticipated. The February 2022 Medium Term Financial Strategy assumed 2.5% interest rates for council borrowing. Current available long term rates exceed 5% resulting in an expected £1.75M increase in borrowing costs for 2023/24.
36.	Nationally, councils across the country share many of the above financial pressures and will face the same struggle to contain these pressures and set a balanced budget for 2023/24. The detailed MTFS will present a fuller picture, but the severity of the financial challenges faced should not be underestimated and presents a grave risk to the future finances of the council and its financial resilience going forward.
	<u>Housing Revenue Account (HRA)</u>
37.	The HRA records all the income and expenditure associated with the provision and management of council owned homes in the City. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. This includes housing and estate management, repairs, improvements, and statutory compliance activity; welfare advice, employment and skills support, support to address anti-social behaviour and support for the victims of domestic abuse; supported housing services for older people and those with extra care needs, neighbourhood wardens, and capital spending on council properties.
38.	A £3M revenue deficit on the HRA was initially forecast for 2022/23, with identified savings reducing the potential deficit to £0.78M as at quarter 1. This deficit was balanced off against planned revenue contributions to the capital programme,

	<p>pending the identification of further savings, in order to maintain the £2M working balance for the HRA. If further savings are not found, redirecting contributions to the capital programme in this way means extra debt costs in the longer term.</p> <p>The pressures being experienced largely contribute to an estimated deficit of over £2M for 2023/24 (assuming rents increase by 5 per cent). If the cap imposed by Government is lower than this level, the impact will be significantly worse. Initial modelling suggests that significant savings would also be required over the 40-year life of the business plan to maintain viability.</p>
39.	The expenditure pressures faced by the HRA are the same as seen in the General Fund and come in the context of a local decision to freeze rent and service charges, in 2022/23, when most other councils raised rents by the statutory maximum of 4.1 per cent.
40.	The majority of expenditure pressures being experienced in 2022/23 are on-going in future years, specifically in relation to wage inflation, significant increases in the cost of building materials used for repairs, and significant increases in energy costs for communal lighting, supported housing and Landlord Controlled Heating. Interest rate rises will also have a significant, longer-term impact on the 40 year business plan.
41.	Mitigation plans to reduce the forecast in-year deficit have been developed and put into action. A report to Cabinet on 15 November 2022 on the financial monitoring for the period to the end of September 2022 will provide an updated position on the HRA.
42.	Under the existing legislation the Council could increase rent up to the CPI 12-month rate + 1 per cent. However, given current high inflation, it is almost certain that a rent cap will apply in 2023/24 and potentially 2024/25. The government recently undertook a consultation on proposals for rent caps and the response is currently awaited.
43.	A session was held at the beginning of September with relevant Executive Directors and key budget managers to identify savings proposals to address pressures within the 40 year business plan. Details of HRA savings proposals being consulted upon are provided in appendix 2. Proposals regarding Landlord Controlled Heating charges are set out below.
	<u>Landlord Controlled Heating Charges</u>
44.	The HRA budget for 2022/23 included a 16% increase in charges to those tenants in receipt of Landlord Controlled Heating (LCH). Tenants were consulted on this increase in the autumn of 2021 as part of the budget setting process. At the time this increase was deemed reasonable. In the months following that consultation and the onset of war in Ukraine, there have been huge rises in the cost of energy, which has not been reflected in an increase in the charge to those tenants who receive LCH, despite those tenants having received both the universal and targeted support provided by Government.
45.	5,486 tenants and 179 leaseholders are affected by LCH and have effectively been subsidised by the HRA in 2022/23. At the time of writing this report, the Government had announced that all residents will be subject to an energy price cap until April 2023, and that Council services are to be included in a six-month energy price guarantee set up by the Government for businesses who do not benefit from the energy price cap.
46.	The proposed increases in LCH charges are set out in table 5 below.

47.	<p>Table 5 Proposed Landlord Controlled Heating Charges</p> <table border="1"> <thead> <tr> <th data-bbox="272 241 411 371">Band</th> <th data-bbox="411 241 603 371">2022/23 Charge £</th> <th data-bbox="603 241 772 371">Proposed Charge £</th> <th data-bbox="772 241 959 371">Percentage Increase</th> </tr> </thead> <tbody> <tr> <td data-bbox="272 371 411 421">A</td> <td data-bbox="411 371 603 421">550.16</td> <td data-bbox="603 371 772 421">1,106.96</td> <td data-bbox="772 371 959 421">101%</td> </tr> <tr> <td data-bbox="272 421 411 470">B</td> <td data-bbox="411 421 603 470">686.40</td> <td data-bbox="603 421 772 470">1,329.06</td> <td data-bbox="772 421 959 470">94%</td> </tr> <tr> <td data-bbox="272 470 411 519">C</td> <td data-bbox="411 470 603 519">824.72</td> <td data-bbox="603 470 772 519">1,551.16</td> <td data-bbox="772 470 959 519">88%</td> </tr> <tr> <td data-bbox="272 519 411 568">D</td> <td data-bbox="411 519 603 568">960.44</td> <td data-bbox="603 519 772 568">1,773.26</td> <td data-bbox="772 519 959 568">85%</td> </tr> <tr> <td data-bbox="272 568 411 618">E</td> <td data-bbox="411 568 603 618">1,098.76</td> <td data-bbox="603 568 772 618">1,995.36</td> <td data-bbox="772 568 959 618">82%</td> </tr> <tr> <td data-bbox="272 618 411 667">F</td> <td data-bbox="411 618 603 667">1,236.56</td> <td data-bbox="603 618 772 667">2,232.76</td> <td data-bbox="772 618 959 667">81%</td> </tr> <tr> <td data-bbox="272 667 411 716">G</td> <td data-bbox="411 667 603 716">1,372.80</td> <td data-bbox="603 667 772 716">2,473.56</td> <td data-bbox="772 667 959 716">80%</td> </tr> <tr> <td data-bbox="272 716 411 766">H</td> <td data-bbox="411 716 603 766">1,510.08</td> <td data-bbox="603 716 772 766">2,717.76</td> <td data-bbox="772 716 959 766">80%</td> </tr> <tr> <td data-bbox="272 766 411 815">J</td> <td data-bbox="411 766 603 815">206.44</td> <td data-bbox="603 766 772 815">384.46</td> <td data-bbox="772 766 959 815">86%</td> </tr> </tbody> </table>	Band	2022/23 Charge £	Proposed Charge £	Percentage Increase	A	550.16	1,106.96	101%	B	686.40	1,329.06	94%	C	824.72	1,551.16	88%	D	960.44	1,773.26	85%	E	1,098.76	1,995.36	82%	F	1,236.56	2,232.76	81%	G	1,372.80	2,473.56	80%	H	1,510.08	2,717.76	80%	J	206.44	384.46	86%
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48.	<p>The proposal for increasing LCH charges has been developed to ensure that any resident in receipt of LCH should not have to pay more than the average costs under the Government's energy cap, when their LCH and their energy provider costs are combined. The proposal will partially mitigate the increase in costs seen on the account. However, the anticipated deficit will not be completely eliminated, and further action is likely to be needed in due course.</p>																																								
49.	<p>Work is continuing on building the 40 year HRA business plan, and ensuring the HRA savings measures are appropriately built in, and to ensure that plans are in place to achieve and deliver the savings to both the time and scale needed, ahead of inclusion in the budget report at February Council as a robust set of proposals.</p>																																								
<u>Budget Consultation</u>																																									
50.	<p>The draft savings proposals that have been put forward have been subject to consultation with the Executive Management Board (EMB) and relevant Cabinet Members.</p>																																								
51.	<p>The Executive will undertake a public engagement exercise on their draft budget proposals set out in appendices 1 and 2, and the proposed increases to Landlord Controlled Heating charges set out in paragraph 47, following the production of this report. The Leader and the Cabinet are keen to receive feedback on those proposals and on the potential impact they may have to help finalise the Executive's budget to be recommended to Full Council in February 2023.</p>																																								
52.	<p>The aim of this public engagement exercise is to:</p> <ol style="list-style-type: none"> a) Make residents aware of the significant financial pressures the Council is facing; b) Ensure residents are aware of savings that are being proposed and what this will mean for them; c) Enable residents, businesses and stakeholders to comment and raise any impacts the proposals may have; d) Ensure that resident feedback is taken into account when final decisions are made; e) Provide a summary of feedback received and how these have influenced the final decision. 																																								

53.	The engagement exercise will run from 9 November 2022 to 10 January 2023. The exercise will be based around an online questionnaire and paper copies will also be made available where required.
	<u>Equality and Safety Impact Assessments</u>
54.	The Public Sector Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
55.	While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision making. To comply with these requirements as well as other relevant impacts including Community Safety (Section 17 of the Crime and Disorder Act), poverty and health and wellbeing, the council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations.
56.	Draft individual Equality and Safety Impact Assessments (ESIAs) have been completed by the council's Executive Management Board for those proposals contained in the appendices that have been identified as requiring such an assessment, as they could have an impact on a particular group or individuals. The draft individual ESIAs are available in Members' Rooms and will be published alongside the Budget consultation.
57.	The individual ESIAs have been analysed to consider the cumulative impacts the draft savings proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the draft savings proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the City's profile, service user and non-user information. The Cumulative Impact Assessment is available in Members' Rooms and will be published alongside the Budget proposals to inform the public engagement exercise.
	<u>Timetable</u>
58.	The provisional 2023/24 local government finance settlement is expected in late December 2022. It is not known whether this will be a 1-year settlement or 2-year to match the remainder over the spending review period. The settlement will include the council's allocation of Revenue Support Grant, Business Rates Top-Up Grant and is likely to include allocations for other non-ringfenced grants.
59.	Setting of the Council Tax base and approval of the Local Council Tax Support Scheme are formally delegated to the Executive Director for Finance, Commercialisation & S151 Officer and will take place in late January 2023.
60.	The Cabinet will put forward its final proposals for the 2023/24 Budget, MTFs and Capital Programme at its meeting on 21 February 2023, taking into account feedback from the public engagement exercise outlined above.
61.	Full Council will set the 2023/24 Budget and agree the Band D Council Tax, MTFs and Capital Programme on 22 February 2023.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	

62.	The capital and revenue implications are detailed within the report.
<u>Property/Other</u>	
63.	None other than those detailed in the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
64.	It is important that Members are fully aware of the full legal implications of the entire budget and Council Tax making process, when they consider any aspect of setting the Council's Budget. Formal and full advice to all Members of the Council protects Members, both in their official and personal capacity, as well as the Council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.
65.	The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.
66.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the Council. Political documents do not represent a legal commitment on behalf of the Council. To treat any political document as a legal commitment by the Council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
67.	The legal significance of the Annual Budget derives from the Council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax before 11 March 2023 could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax. Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
68.	There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
69.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
70.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 officer) to formally report to Council at the time the budget is considered and the Council Tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This report will be brought forward alongside the Budget and Council Tax Setting Report to Full Council in February.
71.	Of particular importance to the Council Tax setting process and Budget Meeting of the

	<p>Full Council is the Council’s Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council’s Constitution. These provide a legal framework for the decision making process whereby the Budget of the City Council is determined, and the Council Tax is set. In addition, Members need to be aware that these Rules provide a route whereby the Leader may require the Full Council to reconsider their position if they do not accept the Executive’s recommended budget without amendment.</p>
<p><u>Other Legal Implications:</u></p>	
72.	<p>The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the Council’s Constitution. As part of the review process by the Council’s Executive Management Board, the proposals contained in this report have been checked from a legal viewpoint.</p>
<p>RISK MANAGEMENT IMPLICATIONS</p>	
73.	<p>Price and wage inflation is a cause for concern. This is partly due to the crisis affecting energy markets and the wider effects of the war in the Ukraine on the global economy. Pay inflation has been allowed for at 3% for 2023/24 (the offer this year equates to a 5.6% rise but hasn’t been agreed). Nationally, Government has been placing more emphasis on wage restraint but local authority pay increases are not set by national Government. Each 1% on pay adds £1.2M to SCC costs. Inflation on contracts has been allowed for at 6%.</p>
74.	<p>The cost of living crisis may also have an impact on numbers in receipt of council tax support and on the ability to collect income expected via council tax and business rates. No revisions to previous estimates have been made in the updated budget shortfall and this remains a risk area.</p>
75.	<p>Any further impact from risk will be reviewed as part of the update of the MTFs to be approved by Full Council in February 2023.</p>
76.	<p>Risks that arise from any excessive reliance on reserves to assist with budget pressures and balancing the 2023/24 budget are outlined at the beginning of this report.</p>
77.	<p>Other risks that the proposed budget for 2023/24 will need to consider, some of which are already identified above, include:</p> <ul style="list-style-type: none"> • The contingency budget for 2023/24 is currently set at £1.2M – this is a reduced contingency compared with previous years. • No allowance for any extra costs for the reform of Social Care over and above the funding Government will provide. Recent press reports suggest a delay with implementation. • A new phase of austerity has been signalled by Government Ministers, this may impact on our future funding. We do not have a certain finance settlement for 2023/24, or subsequent years. • Although flexibility to apply a 1% adult social care precept was signalled in the 2021 Spending Review this remains to be confirmed in the 2023/24 settlement. • Interest rates – when the budget was set in February an assumption of 2.5% was cautious. In October, long term borrowing rates from the Public Works

	<p>Loan Board were in excess of 5% for a time.</p> <ul style="list-style-type: none"> • The Council received around £1.1M in 2022/23 in Government funding to cover the extra costs of Employers National Insurance rises. Treasury may withdraw the funding from 2023/24 now Government has cancelled the increase. • Business rates are being revalued with effect from April 2023 and there is a risk of an increase in successful appeals, which would reduce our business rates income. • Any worsening of the current in-year financial forecast, with a higher forecast overspend, would impact on unallocated reserves available in 2023/24. • The 2023/24 budget will inevitable significantly depend on savings. If these are not achieved to the time and scale assumed, overspends in year will result and will put pressure on what are likely to be reduced level of reserves. • There is a risk that the statutory override for the cumulative DSG (schools) deficit may not be extended and that this becomes a call on the General Fund. The current deficit as at the end of 2021/22 was £11.1M.
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POLICY FRAMEWORK IMPLICATIONS	
78.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a Budget and Council Tax for 2023/24 must be proposed by the Cabinet for consideration by the Full Council under the Constitution.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	General Fund draft savings proposals for consultation
2.	HRA draft savings proposals for consultation

Documents In Members' Rooms

1.	Cumulative Impact Assessment
2.	Individual ESIA's

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	Yes
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Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The Revenue Budget 2022/23, Medium Term Financial Strategy and Capital Programme (Council 23 February 2022)	
2.		

General Fund Draft Savings Proposals for Consultation

Ref.	Proposal	Portfolio	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
22S191	Income Generation Remove the discount of one month's council tax for landlords of empty and unfurnished properties	N/A	(575)	(600)	(600)	(600)
	Total Income Generation		(575)	(600)	(600)	(600)
22S186	Other Savings Look at options for energy cost efficiency and environmental benefit, through the reduction of street lighting	Finance & Change	(450)	(450)	(450)	(450)
	Total Other Savings		(450)	(450)	(450)	(450)
	TOTAL SAVINGS		(1,025)	(1,050)	(1,050)	(1,050)

HRA Draft Savings Proposals for Consultation

Ref.	Proposal	Portfolio	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
	Income Generation					
22HRA1	To propose rental increase in line with national government proposed rent cap	Housing and the Green Environment	(1,301)	(1,301)	(1,301)	(1,301)
22HRA2	To increase service charge by 9%, in line with cost increases experienced and expected for 2023/24	Housing and the Green Environment	(169)	(169)	(169)	(169)
	Total Income Generation		(1,470)	(1,470)	(1,470)	(1,470)
	TOTAL SAVINGS		(1,470)	(1,470)	(1,470)	(1,470)

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DECISION-MAKER:		OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE	
SUBJECT:		MONITORING SCRUTINY RECOMMENDATIONS TO THE EXECUTIVE	
DATE OF DECISION:		15 DECEMBER 2022	
REPORT OF:		SCRUTINY MANAGER	
<u>CONTACT DETAILS</u>			
Executive Director	Title	Chief Executive	
	Name:	Mike Harris	Tel: 023 8083 2882
	E-mail	Mike.harris@southampton.gov.uk	
Author:	Title	Scrutiny Manager	
	Name:	Mark Pirnie	Tel: 023 8083 3886
	E-mail	Mark.pirnie@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
This item enables the Overview and Scrutiny Management Committee to monitor and track progress on recommendations made to the Executive at previous meetings.			
RECOMMENDATIONS:			
	(i)	That the Committee considers the responses from the Executive to recommendations from previous meetings and provides feedback.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	To assist the Committee in assessing the impact and consequence of recommendations made at previous meetings.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None.		
DETAIL (Including consultation carried out)			
3.	Appendix 1 of the report sets out the recommendations made to the Executive at previous meetings of the Overview and Scrutiny Management Committee (OSMC). It also contains a summary of action taken by the Executive in response to the recommendations.		
4.	The progress status for each recommendation is indicated and if the OSMC confirms acceptance of the items marked as completed they will be removed from the list. In cases where action on the recommendation is outstanding or the Committee does not accept the matter has been adequately completed, it will be kept on the list and reported back to the next meeting. It will remain on the list until such time as the Committee accepts the recommendation as completed. Rejected recommendations will only be removed from the list after being reported to the OSMC.		

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
5.	None.
<u>Property/Other</u>	
6.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
7.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
8.	None
RISK MANAGEMENT IMPLICATIONS	
9.	None.
POLICY FRAMEWORK IMPLICATIONS	
10.	None
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Monitoring Scrutiny Recommendations – 15 December 2022
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	No
Other Background Documents Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

Overview and Scrutiny Management Committee: Holding the Executive to Account

Scrutiny Monitoring – 15 December 2022

Date	Portfolio	Title	Action proposed	Action Taken	Progress Status
13/10/22	Housing & Green Environment	Introduction of fees for the Council's public electric vehicle chargers	1) That, during the electric vehicle (EV) charging consultation exercise, officers explore with EV owners the existing barriers to charging EV vehicles via the publicly accessible electric vehicle chargers in the City Council's car parks and highways.	An online survey is being conducted in December to assess what improvements EV owners might like to see made to the city's public EV charging facilities. Plans to publish an Electric Vehicle Charging Strategy are underway and the information received will help inform this process. A draft document is to be published as part of a formal and more detailed 12-week public consultation exercise in the spring and a final document presented for adoption in summer 2023.	Progressing
			2) That the Administration explores best practice when considering the future approach to Southampton's EV charging infrastructure.	The Electric Vehicle Charging Strategy will be informed by research of current and proposed delivery models. We propose to identify a delivery partner to support investment in the city and will be seeking a provider that is able to also bring expertise and experience that can ensure that our approach is innovative, functional and supports the transition to EV's across all sectors of the city.	Progressing
10/11/22	Leader	Corporate Plan	1) That, to enable the Committee to scrutinise the delivery of the plan, the Executive incorporates key actions and measures against the aims and objectives in the Corporate Plan.	The deliverables within the Corporate Plan will be monitored in two years to allow adequate time for progress. The Corporate Plan is developed based on key strategies, transformation plans and business as usual activities – these will be monitored appropriately through appropriate mechanisms.	
			2) That consideration is given to ensuring that there is consistency between the key performance indicators to be reported through the Corporate Plan and the indicators	Where reports are covering similar items/areas of focus we will review to ensure consistency.	

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			3) That, following the referenced Conditions Survey of private rented homes in Southampton, the Council seeks to ensure that standards against which private rental accommodation is measured is comparable with the standards against which Council housing is measured.	We will endeavour to assess the standards of private rental accommodation in a comparable way with Council housing where possible.	
			4) That, linked to the support for the Southampton Pound and community wealth building, the Plan includes a commitment to the importance of social value.	Social value is embedded throughout the Corporate Plan and more specifically addressed within the “A prosperous city” section.	
			5) To ensure that the plan is coherent, the Executive reviews the actions outlined in the plan and checks that each action will contribute to delivering the objective against which it has been connected to.	A review has taken place, the edit discussed at the meeting has been made.	