

Public Document Pack
Extraordinary Cabinet

Tuesday, 5th March, 2024
at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber, Civic Centre

Members

Leader – Councillor Fielker
Deputy Leader and Cabinet Member for Finance and
Change – Councillor Letts
Cabinet Member for Economic Development – Councillor
Bogle
Cabinet Member for Environment and Transport -
Councillor Keogh
Cabinet Member for Children and Learning – Councillor
Winning
Cabinet Member for Communities and Leisure–
Councillor Kataria
Cabinet Member for Safer City – Councillor Renyard
Cabinet Member for Housing – Councillor A Frampton
Cabinet Member for Adults and Health – Councillor Finn

(QUORUM – 3)

Contacts

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BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

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

The Forward Plan

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

Implementation of Decisions

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

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

Use of Social Media

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

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

Municipal Year Dates (Tuesdays)

2023	2024
13 June	16 January
18 July	6 February
15 August	20 Feb (budget)
19 September	19 March
17 October	16 April
14 November	
19 December	

Executive Functions

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

Key Decisions

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

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

Procedure / Public Representations

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

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

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

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

Southampton: Corporate Plan 2022-2030 sets out the four key outcomes:

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

CONDUCT OF MEETING

TERMS OF REFERENCE

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

RULES OF PROCEDURE

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

DISCLOSURE OF INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS

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

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

(ii) Sponsorship:

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

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

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

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

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

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

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

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

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

Other Interests

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

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

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

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

Principles of Decision Making

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 **APOLOGIES**

To receive any apologies.

2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

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

EXECUTIVE BUSINESS

3 **STATEMENT FROM THE LEADER**

ITEMS FOR DECISION BY CABINET

4 **THE 2024/25 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY** □

(Pages 1 - 198)

To consider the report of the Cabinet Member for Finance and Change detailing the 2024/25 Budget and Medium Term Financial Strategy.

5 **EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM**

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the exempt appendix to the following Item.

Appendix 9 is exempt from publication by virtue of category 3 of rule 10.4 of the Council's Access to Information Procedure Rules i.e. information relating to the financial or business affairs of any particular person. In applying the public interest test this information has been deemed exempt from the publication due to confidential sensitivity. It is not considered to be in the public interest to disclose this information as it would reveal information which would put the Council at a commercial disadvantage and prejudice the Council's ability to achieve best value.

6 **THE GENERAL FUND CAPITAL PROGRAMME 2023/24 TO 2028/29** □

(Pages 199 - 290)

To consider the report of the Cabinet Member for Finance and Change detailing the General Fund Capital Programme 2023/24 to 2028/29.

Agenda Item 4

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	THE 2024/25 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY
DATE OF DECISION:	5 MARCH 2024 (CABINET) 6 MARCH 2024 (COUNCIL)
REPORT OF:	COUNCILLOR LETTS CABINET MEMBER FOR FINANCE AND CHANGE

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Corporate Services and S151 Officer	
	Name:	Mel Creighton	Tel: 023 8083 3528
	E-mail:	Mel.Creighton@southampton.gov.uk	
Author:	Title	Director of Finance	
	Name:	Richard Williams	Tel: 023 8083 2936
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STATEMENT OF CONFIDENTIALITY
Not Applicable

EXECUTIVE SUMMARY
<p>This report details the revenue budget for 2024/25 and the Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2027/28. It provides detail to inform Council in setting the council tax charge for 2024/25. A report setting out the Capital Strategy, Flexible Use of Capital Receipts Strategy, and details of the General Fund capital programme for 2023/24 to 2028/29 is considered elsewhere on this agenda.</p> <p>The council's financial position is such that the budget setting process for 2024/25 has been considerably more challenging than previous years, including during those under austerity and funding reductions. The council faces significant financial challenges to deliver a balanced budget. This includes limited revenue reserves, ongoing financial pressures, especially in children's services and adult social care, and the continuing impact of inflation and interest rates.</p> <p>The 2023/24 budget was balanced by a reliance on revenue reserves (£20.6M). In addition, sizable new budget pressures and increases to existing pressures have emerged during 2023/24. A combination of limited remaining reserves and high pressures has led to an underlying structural budget deficit in-year that is projected to continue into future years.</p> <p>It is against this backdrop that we are presenting budget proposals for 2024/25. Despite considerable progress during 2023/24 in identifying measures to reduce expenditure and identify savings, a shortfall remains between the predicted level of spend and the council's funding available. A balanced budget for 2024/25 is only achieved with Exceptional</p>

Financial Support (EFS) from the government. This support will be in the form of a capitalisation direction, which will allow the council to use capital resources to meet revenue expenditure in 2024/25. Without this support the council would almost certainly have been facing a Section 114 notice.

The report commissioned from the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2023/24 on the council's financial management and resilience identified that the authority was displaying financial stress across five dimensions. These include running down of reserves, failure to plan and deliver savings, short term financial planning, a tendency to overspend and a lack of detail in business decisions.

Following this, the Council agreed a new Financial Strategy at its meeting in July 2023. However, resolving the issues raised by CIPFA will take time. The next financial year (2024/25) will be a critical year for the council as it implements measures to restore financial stability and sustainability and addressing the structural budget deficit. These measures are set out later in the report.

RECOMMENDATIONS:

CABINET

GENERAL FUND REVENUE

Cabinet is recommended to:

	i)	Recommend to Council the Medium-Term Financial Strategy 2024/25 to 2027/28 as set out in table 1 and Appendix 1.
	ii)	Recommend to Council the Revenue Budget for 2024/25 as set out in table 2 and Appendices 1 and 2.
	iii)	Recommend to Council the inclusion in the budget General Fund pressures totalling £42.03M in 2024/25, increasing to £51.21M in 2027/28, as detailed in paragraph 33.
	iv)	Recommend to Council the inclusion of new commitments totalling £0.86M in 2024/25, increasing to £4.89M in 2027/28, as detailed in paragraph 36.
	v)	Recommend to Council the inclusion of savings proposals totalling £22.68M in 2024/25 General Fund Revenue Budget, reducing to £20.94M in 2027/28, as detailed in paragraph 40.
	vi)	Note that the Government is minded to provide Exceptional Financial Support (EFS) to the Council. This will be in the form of a capitalisation direction, to ensure the council can agree a balanced budget for 2024/25, has sufficient resources to pay for transformation and other work needed to ensure the council is on a sustainable financial footing in future, and meet other potential liabilities.
	vii)	Recommend to Council the establishment of a comprehensive Transformation Programme as detailed in paragraphs 59 to 63 and associated funding of up to £10.62M from a combination of capital resources and Transformation Reserve. To further recommend to delegate to the Chief Executive (after consultation with the Leader of the Council) the draw-down of funding and the establishment of a resource plan as required for the Transformation Programme.
	viii)	Recommend to Council the adoption of the Business Planning and Budget Framework set out at paragraph 64 and Appendix 6.

	ix)	Recommend to Council an increase in the 'core' council tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	x)	Recommend to Council that it sets the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 at £121.43M as per Appendix 9. The Council Tax increase comprises a core increase of 2.99% and 2.00% specifically for Adult Social Care.
	xi)	Note the summary of changes to fees and charges set out in paragraph 89 and Appendix 12 and recommend Council to approve the increase in Careline charges set out in Appendix 12.
	xii)	Recommend to Council the endorsement of the Statement of the S151 Officer as set out in paragraphs 118 to 124 on the robustness of the budget and the adequacy of the council's reserves.
		Other Recommendations
	xiii)	Recommend to Council the content of the procurement pipeline 2024-29 contained at Appendix 7.
	xiv)	Recommend the delegation of authority to the Executive Director Corporate Services & S151 Officer and the Executive Director of Place (after consultation with the relevant Cabinet Member) everything that is necessary to prepare a specification, carry out a procurement process or other route to market and to appoint a single provider(s) for the delivery of highways and associated services for a maximum period of 15 years, including approving the utilisation of any contractually permitted extension as set out in Appendix 8.
	xv)	Recommend to Council the adoption of the draft corporate debt policy and combined council tax and business rates recovery policy at annexes 6 and 7 to the MTFS (Appendix 1).
	xvi)	Approve the acceptance of 2024/25 Rough Sleeper Initiative Funding of circa £0.80M.
	xvii)	Recommend to Council the application of Council Tax premiums on properties empty for 12 months or more (from 2024/25) and second homes (from 2025/26).
COUNCIL		
Council is recommended to:		
	i)	Approve the revised Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2027/28 as set out in Table 1 and Appendix 1.
	ii)	Approve the 2024/25 General Fund Revenue Budget as set out in Table 2 and Appendices 1 and 2.
	iii)	Approve an increase in the 'core' council tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	iv)	Approve additional General Fund pressures totalling £42.03M in 2024/25, increasing to £51.21M in 2027/28, as detailed in paragraph 33.

v)	Approve the new commitments totalling £0.86M in 2024/25, increasing to £4.89M in 2027/28, as detailed in paragraph 36.
vi)	Approve savings proposals totalling £22.68M that are included in the 2024/25 General Fund Revenue Budget, reducing to £20.94M in 2027/28, as detailed in paragraph 40.
vii)	Note that the Government is minded to provide Exceptional Financial Support (EFS) to the Council. This will be in the form of a capitalisation direction, to ensure the council can agree a balanced budget for 2024/25, has sufficient resources to pay for transformation and other work needed to ensure the council is on a sustainable financial footing in future, and meet other potential liabilities.
viii)	Approve the establishment of a comprehensive Transformation Programme as detailed in paragraphs 59 to 63 and associated funding of up to £10.62M from a combination of capital resources and Transformation Reserve. To further recommend to delegate to the Chief Executive (after consultation with the Leader of the Council) the draw-down of funding and the establishment of a resource plan as required for the Transformation Programme.
ix)	Approve the adoption of the Business Planning Framework set out at paragraph 64 and Appendix 6.
x)	Delegate authority to the Executive Director Corporate Services & Section 151 Officer, following consultation with the Cabinet Member for Finance and Change, to do anything necessary to give effect to the proposals contained in this report.
xi)	Set the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 at £121.43M as per Appendix 9.
xii)	Note the estimates of precepts on the council tax collection fund for 2024/25 as set out in Appendix 10.
xiii)	Note the summary of changes to fees and charges set out in paragraph 89 and Appendix 12 and approve the increase in Careline charges set out in Appendix 12.
xiv)	Note and endorse the Statement of the S151 Officer as set out in paragraphs 118 to 124 on the robustness of the budget and the adequacy of the council's reserves.
xv)	Note the content of the procurement pipeline 2024-29 contained at Appendix 7.
xvi)	Delegate authority to the Executive Director Corporate Services & S151 Officer and the Executive Director of Place (after consultation with the relevant Cabinet Member) everything that is necessary to prepare a specification, carry out a procurement process or other route to market and to appoint a single provider(s) for the delivery of highways and associated services for a maximum period of 15 years, including approving the utilisation of any contractually permitted extension as set out in Appendix 8.

	xvii)	Note and adopt the draft corporate debt policy and combined council tax and business rates recovery policy at annexes 6 and 7 to the MTFs (Appendix 1).
	xviii)	Agree to the application of Council Tax premiums for properties empty for 12 months or more (from 2024/25) and second homes (from 2025/26).
	xix)	<p>Agree that the following amounts be now calculated by the council for the financial year 2024/25 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992; and</p> <p>determine in accordance with Section 52ZB of the Act that the council's relevant basic amount of council tax for 2024/25 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC of the Act.</p> <p>a) £595,220,372 (being the aggregate of the amounts which the council estimates for the items set out in Section 31A(2) of the Act).</p> <p>b) £473,790,082 (being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3) of the Act).</p> <p>c) £121,430,290 (being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year). (Item R in the formula in Section 31B(1) of the Act).</p> <p>£1,812.69 (being the amount at (c) above (Item R), all divided by the tax base of 66,989 (Item T), calculated by the council, in accordance with Section 31B(1) of the Act, as the basic amount of its council Tax for the year).</p>

REASONS FOR REPORT RECOMMENDATIONS

1. The Council's Constitution requires Full Council to set Council Tax and agree the Budget for the forthcoming financial year. This report sets out the budget proposals for Cabinet's consideration so that it can make recommendations to Full Council, to enable it to agree the Budget and set Council Tax for the year.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The Council can set a balanced budget for 2024/25. This is on the basis that the council has accepted the Exceptional Financial Support (EFS) package that the Government is minded to offer. Without EFS, the S151 Officer would have been obliged to issue a s114 notice.

INTRODUCTION

3. The budget setting process and development of the MTFs has been undertaken against the backdrop of significant financial challenges for the Council, including a structural deficit of close to £40M and growing service pressures. This has resulted in an unbalanced budget and request for EFS. Despite this the Council plans to spend £595M next year in providing local services excluding housing. When combined with the spend within the Housing Revenue Account (HRA) and the capital programme (both General Fund and Housing), the total spend by the council is planned at £837M.

4.	Building on the progress already made, the Council will require a stronger focus on financial management and accountability to ensure it improves its financial resilience and secures a sustainable financial position. This will require an improvement in financial management capabilities across the organisation and a strong emphasis on budget management and accountability.
5.	The council has very limited reserves, due to using reserves in previous years to meet outturn deficits and balancing the budget. A further £7.6M may be required from reserves to cover the outturn deficit for 2023/24.
6.	Reliance on reserves is not an approach that can be used to achieve a sustainable financial position. This is because reserves can only be used once and should not be used to fund recurring expenditure.
7.	A report providing an update on the MTFS and budget position for 2024/25 was presented to Cabinet on 29 November 2023. This budget report provides an update to that report, giving details of the council's financial resources following the local government financial settlement and sets out the final proposals in respect of budgetary pressures and savings, taking account of feedback received from the budget consultation and the latest financial monitoring position.
8.	Like many authorities who are looking to the medium term, it is anticipated that the financial challenges facing the Council will continue. Without action, the budget gap will continue to grow as shown in the MTFS (Appendix 1). Even with the successful Exceptional Financial Support (EFS) application, difficult decisions will need to be taken as this only gives the council a window of opportunity to set itself sustainable business and financial plans. This will require a relentless focus on savings delivery and the development of a Transformation Programme and Plan. Whilst the priority will remain to protect and improve service delivery, the context will be a necessity to be realistic about our ambitions and what we can afford. This will be underpinned by an earned confidence in our ability to both deliver and manage our resources.
9.	The General Fund revenue budget is based on a council tax increase for 2024/25 of 4.99%, being 2.99% for 'core' council tax and 2.00% for the adult social care precept, in line with the referendum limits set by the government. The final council tax bills will include precepts made by the Hampshire and Isle of Wight Fire and Rescue Authority and the Hampshire and Isle of Wight Police and Crime Commissioner, which impacts on the final charge. Hence, the final increase residents see on their bills will differ from the 4.99% charge from Southampton City Council.
10.	This equates to the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 of £121.43M.
	<u>STRATEGIC CONTEXT</u>
	<u>Autumn Statement 2023</u>
11.	The government published its Autumn Statement 2023 on 23 November 2023, setting out spending plans for 2024/25 and guidelines for the medium term. The public sector spending plans included within the Autumn Statement suggest that prospects for local government funding in the next spending review period (from 2025/26) look very tight, with the likelihood of real-terms cuts for unprotected

	services and more reliance on council tax rises rather than grant increases. From a local authority perspective there was very little additional funding beyond what had already announced in the previous year's autumn statement for adult social care and no indications of increases in future years.
12.	Further details of the Autumn Statement are provided in the Medium-Term Financial Strategy (MTFS) (Appendix 1).
	<u>Local Government Finance Policy Statement and Settlement</u>
13.	The government published a policy statement on 5 December 2023 outlining its intentions for the 2024/25 local government finance settlement. This built on the principles set out in the policy statement issued in December 2022.
14.	The policy statement confirmed local authorities could apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for 2024/25.
15.	It set out the basis for uplifting baseline funding levels, the treatment of social care grants, provided confirmation that revenue support grant would be uprated by inflation and that the New Homes Bonus scheme would be continued for a further year. It noted Services Grant would continue, however at a reduced level. The statement also confirmed that local authorities would receive compensation, based on the Consumer Price Index (CPI), for freezing of the small business rates multiplier.
16.	The provisional local government finance settlement was announced on 18 December 2023. The allocation for Southampton City Council was largely as anticipated, except for the higher than expected reduction in Services Grant of £406M nationally.
17.	Following consultation on the provisional settlement the government announced £600M of additional funding on 24 January 2024, £500M of which was extra Social Care Grant. Final revised allocations to local authorities were confirmed when the Settlement was published on 5 February 2024.
18.	In the final settlement the government also set out a requirement for local authorities to produce productivity plans, showing how they will improve service performance and reduce wasteful expenditure. Plans will need to be published by July 2024.
19.	Further details of the local government finance policy statement and settlement are provided in the Medium-Term Financial Strategy (Appendix 1).
	<u>Other issues affecting the MTFS</u>
20.	New fees and charges and revenue reserves policies were approved by Full Council in July 2023 as part of the MTFS update report. In this budget report the Council are asked to adopt the new draft corporate debt policy and combined council tax and business rates recovery policy which are included as Annexes 6 and 7 to the MTFS.
21.	Other new issues affecting the MTFS include Health Determinants Research Collaboration and Local Enterprise Partnership (LEP) Integration.
22.	Further details are provided in the Medium-Term Financial Strategy (MTFS) (Appendix 1).

MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024/25 to 2027/28					
23.	The Medium Term Financial Strategy (MTFS) provides a strategic framework and forward looking approach to achieve long term financial sustainability for the council. The focus this year has been on stabilising the council's financial position and right-sizing the budget to match the current operation. This means that the cash limited budgets for 2024/25 are realistic and deliverable. Cash limits will be applied in future years' budgets to close any budget shortfall that remains after implementing the transformation programme and agreeing and delivering additional savings.				
24.	Table 1 below sets out the council's MTFS for the five financial years to 2027/28. The second column represents the Council's proposed budget for 2024/25.				
25.	The MTFS shows the impact of EFS in balancing the budget for 2024/25. It also highlights the on-going and growing structural budget deficit in future years which must be closed to achieve a sustainable financial position. It does not include any revenue costs associated with borrowing that may be required to fund EFS as these costs are not known at this stage.				
26.	Table 1 – MTFS 2023/24 to 2027/28				
	2023/24	2024/25	2025/26	2026/27	2027/28
	£M	£M	£M	£M	£M
Directorate:					
Children & Learning	58.44	61.83	62.58	62.88	63.58
Corporate Services	28.03	30.78	31.70	33.14	33.85
Place	42.61	51.97	54.25	57.26	60.83
Strategy & Performance and CEO	3.65	4.07	4.16	4.29	4.40
Wellbeing & Housing	97.83	104.26	108.72	112.63	116.51
Total Directorate Expenditure	230.57	252.91	261.41	270.20	279.17
Capital Asset Management	10.06	13.66	16.59	19.13	20.64
Levies & Contributions	0.09	0.10	0.10	0.10	0.11
Other Centrally Held Budgets	5.61	7.85	9.52	10.52	10.52
Transfers to/(from) Reserves	(24.75)	2.07	2.40	5.88	7.32
Contribution to General Fund Balance	0.00	1.93	0.00	0.00	0.00
Exceptional Financial Support (EFS)	0.00	(39.28)	0.00	0.00	0.00
Net Revenue Expenditure	221.58	239.24	290.03	305.84	317.76
Council Tax	(115.77)	(121.43)	(126.43)	(130.11)	(133.75)
Business Rates	(47.45)	(51.21)	(57.00)	(58.11)	(59.22)
Collection Fund Surplus/Deficit	(1.43)	(2.25)	0.00	0.00	0.00
General Government Grants	(56.93)	(64.35)	(58.73)	(55.28)	(54.37)
Total Funding	(221.58)	(239.24)	(242.16)	(243.50)	(247.34)
Net Budget Shortfall	0.00	0.00	47.86	62.33	70.41
Numbers are rounded					

27. The Budget 2024/25 is set out in Table 2 below. It shows the changes in pressures, savings and funding that are the movements between the budget for 2024/25 agreed in February 2023 and the budget presented in this report. Further details are provided in Appendix 2. For services these are the cash limits for the 2024/25 financial year.

28. **Table 2 – 2024/25 General Fund Revenue Budget**

Directorate	2024/25 Budget Approved Feb 2023	Pay and Price Inflation	Pressures and Commitments	Savings	Other Amendments	Total Movements	Revised 2024/25 Budget
	£M	£M	£M	£M	£M	£M	£M
Children & Learning	54.68	1.44	10.01	(4.92)	0.62	7.14	61.83
Corporate Services	24.72	1.79	5.65	(3.20)	1.82	6.07	30.78
Place	42.92	3.24	11.92	(7.08)	0.97	9.05	51.97
Strategy & Performance and CEO	2.99	0.19	0.60	(0.27)	0.56	1.08	4.07
Wellbeing & Housing	90.86	6.64	11.16	(5.49)	1.09	13.40	104.26
Other inflationary pressures	15.49	(10.53)	0.00	0.00	(4.96)	(15.49)	0.00
Directorate Expenditure	231.67	2.77	39.34	(20.96)	0.10	21.25	252.91
Capital Asset Management	12.70	0.24	1.62	(0.91)	0.00	0.96	13.66
Levies & Contributions	0.09	0.00	0.01	0.00	0.00	0.01	0.10
Other Centrally Held Budgets	6.04	0.00	1.92	(0.01)	(0.10)	1.81	7.85
Transfers to/from Reserves	0.00	0.00	0.00	0.00	2.07	2.07	2.07
Contribution to General Fund Balance	0.00	0.00	0.00	0.00	1.93	1.93	1.93
Exceptional Financial Support	0.00	0.00	0.00	0.00	(39.28)	(39.28)	(39.28)
Net Revenue Expenditure	250.50	3.01	42.89	(21.88)	(35.27)	(11.25)	239.24
Council Tax	(118.81)	0.00	0.00	(0.36)	(2.26)	(2.62)	(121.43)
Business Rates	(54.06)	0.00	0.00	0.00	2.85	2.85	(51.21)
Collection Fund Surplus/Deficit	0.00	0.00	0.00	0.00	(2.25)	(2.25)	(2.25)
General Government Grants	(56.41)	0.00	0.00	(0.45)	(7.50)	(7.95)	(64.35)
Total Funding	(229.28)	0.00	0.00	(0.80)	(9.17)	(9.97)	(239.24)
Net Budget Shortfall	21.22	3.01	42.89	(22.68)	(44.44)	(21.22)	0.00

Numbers are rounded

Note: The Approved Budget column is the budget that Council approved in February 2023. It differs from the 2023/24 column in the MTFS table (Table 1 above) because the latter includes in-year movements and the 2024/25 approved budget reflects previously agreed changes.

MTFS AND BUDGET ASSUMPTIONS

29. Inflation

Although inflation fell during 2023 it remains at an elevated level and continues to impact on the council's pay and contract costs. The 2023/24 pay award cost 5.6%

	<p>on average, 1.6% more than has been allowed for in the budget, creating an on-going inflationary pressure of £2.0M. The 2024/25 pay award is assumed to be 3%, rather than the 2% previously allowed for, creating an inflationary pressure of £1.3M from 2024/25 onwards. £2.5M has been included in the 2024/25 budget for contract inflation (other than for adult social care provider contracts) at an average increase of 6.5%, which is £0.5M less than previously provided for. An increase of £0.2M has been allowed for within the Capital Asset Management budget to recognise the additional capital financing costs arising from inflation on capital expenditure. The MTFS agreed in February 2023 included £5.0M for inflation on adult social care provider contracts for 2024/25. A proposal to release £1.0M of that budget provision is included within the savings proposals.</p>																																								
30.	<p><u>Employer's Pension Contributions</u></p> <p>The Hampshire Local Government Pension Scheme employer contribution rate applicable from April 2023 to March 2026 is 16.8%. No changes to the rate have been assumed following the next triennial revaluation which will take effect from April 2026.</p>																																								
31.	<p><u>Capital Asset Management</u></p> <p>Capital financing costs are met from the Capital Asset Management budget held centrally within the council. Estimates have been updated in line with the latest capital programme detailed in the General Fund Capital Programme 2023/24 to 2028/29 report elsewhere on this agenda and reflect savings being made through reviewing and rephrasing the programme as well as additional costs from new commitments.</p> <p>A borrowing rate of 5.0% for 2024/25 and ongoing has been assumed within the MTFS.</p>																																								
	<p><u>New budget pressures</u></p>																																								
32.	<p>The MTFS update to Cabinet in November 2023 noted budget and inflationary pressures totalling £37.8M for 2024/25, of which £3.1M related to pay awards/inflation and the remaining £34.7M to other budget pressures. Table 3 below sets out the updated position for other budget pressures. These are mainly due to continuing high demand for council services, especially for children's and adults social care and home to school transport, as well as pressures due to high costs of homelessness provision, savings proposals and income targets that are no longer considered achievable and higher costs of capital financing.</p>																																								
33.	<p><u>Table 3 – Summary of new budget pressures</u></p> <table border="1"> <thead> <tr> <th>Directorate</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>10.01</td> <td>10.10</td> <td>9.66</td> <td>9.66</td> </tr> <tr> <td>Corporate Services</td> <td>5.65</td> <td>5.81</td> <td>6.19</td> <td>6.19</td> </tr> <tr> <td>Place</td> <td>11.77</td> <td>13.41</td> <td>14.65</td> <td>16.52</td> </tr> <tr> <td>Strategy & Performance and CEO</td> <td>0.60</td> <td>0.60</td> <td>0.60</td> <td>0.60</td> </tr> <tr> <td>Wellbeing & Housing</td> <td>10.82</td> <td>10.94</td> <td>11.66</td> <td>12.38</td> </tr> <tr> <td>Centrally Held Budgets</td> <td>3.18</td> <td>5.85</td> <td>5.85</td> <td>5.86</td> </tr> <tr> <td>Total new budget pressures</td> <td>42.03</td> <td>46.71</td> <td>48.61</td> <td>51.21</td> </tr> </tbody> </table> <p>Numbers are rounded</p>	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Children & Learning	10.01	10.10	9.66	9.66	Corporate Services	5.65	5.81	6.19	6.19	Place	11.77	13.41	14.65	16.52	Strategy & Performance and CEO	0.60	0.60	0.60	0.60	Wellbeing & Housing	10.82	10.94	11.66	12.38	Centrally Held Budgets	3.18	5.85	5.85	5.86	Total new budget pressures	42.03	46.71	48.61	51.21
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34.	Appendix 3 provides details of the pressures summarised above. Details of previously agreed pressures that have a continuing impact in 2024/25 and beyond are provided in the MTFS (Appendix 1).				
35.	<p>Budget pressures for 2024/25 have increased by £7.4M since the position reported to Cabinet in November 2023. The main contributors to this increase are:</p> <ul style="list-style-type: none"> • An increase in the forecast cost of temporary accommodation for homelessness provision (£2.2M) • Highways and street lighting contract pressures (£1.9M) • Review and rebasing of Corporate Services budgets (£0.9M) • Review of fees and charges income targets (£0.9M) • An increase in the forecast cost of Home to School Transport (£0.8M) • Children’s residential units (£0.7M) 				
New Commitments					
36.	<u>Table 4 – Summary of new proposed commitments</u>				
	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
	Place	0.15	0.15	0.15	0.15
	Wellbeing & Housing	0.34			
	Centrally Held Budgets	0.37	1.49	3.16	4.74
	Total new commitments	0.86	1.64	3.31	4.89
	Numbers are rounded				
37.	Details of the proposed new commitments are set out in Appendix 4.				
38.	The Centrally Held Budgets commitments relate to the capital financing cost of new capital projects, including investment in a replacement social care IT system covering children’s and adult services, following the current provider withdrawing from the market and IT hardware technology refresh. It also includes the potential revenue impact of other recently added capital investment projects including the SEND schools and refurbishment of St Mary’s Leisure Centre (see Capital Strategy report for further details).				
New Savings					
39.	The MTFS update to Cabinet in November 2023 noted cost control measures and savings proposals totalling £23.0M for 2024/25 (including those still subject to consultation at that time). Although new proposals have been brought forward since November, review and refinement of proposals that had already been reported to Cabinet has resulted in very little net movement, with the updated position showing savings totalling £22.7M for 2024/25.				
40.	<u>Table 5 – Summary of new savings proposals</u>				
	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
	Children & Learning	(4.92)	(4.49)	(4.42)	(4.37)
	Corporate Services	(3.20)	(2.88)	(2.49)	(2.49)
	Place	(7.08)	(7.07)	(7.04)	(6.80)

	Strategy & Performance and CEO	(0.27)	(0.27)	(0.27)	(0.27)
	Wellbeing & Housing	(5.49)	(4.55)	(4.55)	(4.55)
	Centrally Held Budgets	(1.72)	(2.73)	(2.54)	(2.46)
	Total new savings proposals	(22.68)	(21.99)	(21.31)	(20.94)
Numbers are rounded					
41.	Appendix 5 provides details of the savings proposals summarised above.				
42.	Work on savings proposals for 2024/25 will not stop once the budget is set. Further proposals will be brought forward during the year as soon as they are ready to be implemented or to be consulted upon as necessary, to reduce in-year spending and to help close the forecast budget shortfall in 2025/26 and future years.				
OTHER ISSUES CONTRIBUTING TO THE MTFS AND BUDGET 2024/25					
<u>2023/24 General Fund Revenue Outturn</u>					
43.	The 2023/24 forecast outturn for the General Revenue Fund based on the monitoring position as at the end of January 2024 is a £7.6M overspend, an improvement of £4.2M from the position as at the end of December 2023 reported to Cabinet on 20 February 2024. Short of any further improvement in the financial position this will be met from the Medium-Term Financial Risk Reserve.				
44.	Forecast overspends relate to high demand for children’s services and adult social care in the main, with £4.0M being for home to school transport, £3.5M for looked after children’s placements and £5.0M for the cost of adults’ client packages. Additional budget provision has been included in 2024/25 and in the MTFS in the key areas of pressure contributing to the forecast over-spend in 2023/24. This will ensure that in 2024/25 and beyond these budgets are manageable and robust. These additional costs are being partly offset by in-year savings and other favourable variances elsewhere.				
45.	The improvement since the position as at the end of December 2023 relate to cost control measures delivering cost reductions earlier than previously anticipated, together with application of additional one-off grant funding.				
<u>Balances and earmarked revenue reserves</u>					
46.	CIPFA recommends a minimum General Fund balance of 5% of net revenue expenditure. In the MTFS the General Fund balance has been increased by £1.9M from £10.1M to £12.0M in line with the CIPFA recommended minimum.				
47.	Earmarked reserves (excluding schools’ balances) totalled £49.6M at the end of 2022/23 and are forecast to be £21.1M at the end of 2023/24, after taking account of the budgeted drawn down from reserves and use to meet the 2023/24 in-year overspend. In recognition that the level of reserves is inadequate to provide sufficient cover for risks, the MTFS includes the setting aside of sums to rebuild reserves over time. Table 6 summarises planned contributions to corporate reserves over the period of the MTFS.				
48.	<u>Table 6 – Planned contributions to earmarked reserves</u>				
		2024/25	2025/26	2026/27	2027/28
		£M	£M	£M	£M
	Net contribution to reserves	2.07	2.40	5.88	7.32

	Numbers are rounded																									
49.	Further details on the forecast level of reserves and contributions to corporate reserves are provided in paragraphs 90 to 99 below and in the MTF5 (Appendix 1).																									
50.	<p><u>Table 7 – Forecast Budget Shortfall</u></p> <table border="1"> <thead> <tr> <th></th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td>278.52</td> <td>290.03</td> <td>305.84</td> <td>317.76</td> </tr> <tr> <td>Funding</td> <td>(239.24)</td> <td>(242.16)</td> <td>(243.50)</td> <td>(247.34)</td> </tr> <tr> <td>Forecast Budget Shortfall</td> <td>39.28</td> <td>47.86</td> <td>62.33</td> <td>70.41</td> </tr> </tbody> </table> <p>Numbers are rounded</p>		2024/25	2025/26	2026/27	2027/28		£M	£M	£M	£M	Net Expenditure	278.52	290.03	305.84	317.76	Funding	(239.24)	(242.16)	(243.50)	(247.34)	Forecast Budget Shortfall	39.28	47.86	62.33	70.41
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	<u>Exceptional Financial Support (EFS)</u>																									
51.	An application has been made to Government seeking Exceptional Financial Support (EFS) to help balance the budget for 2024/25 and provide for other costs and potential liabilities. The Government has now confirmed that it is minded to support the council by providing an EFS facility. A Ministerial Statement on 29 February has confirmed this for Southampton City Council, and for several other local authorities.																									
52.	The government has previously agreed to provide a small number of local authorities with support via the Exceptional Financial Support framework. This follows requests from these councils for assistance to manage financial pressures that they considered unmanageable and was likely to mean the requirement to agree a balanced budget could not be achieved. The support is provided on an exceptional basis, and often requires that each local authority is subject to an external assurance review on their financial position. The government has extended this to 19 authorities for 2024/25 including Southampton. This includes authorities that were already in receipt of such support.																									
53.	The EFS is that the council can use up to £121.58M of capital resources to fund revenue expenditure and other potential liabilities. The Council is not obliged to use the full value of the EFS, and this should be seen as a facility to use rather than permission to spend. EFS is not additional funding, and it must be repaid either through capital receipts or borrowing. The use of the EFS facility should therefore be kept to the minimum necessary.																									
54.	The estimated EFS requirement is based on several elements. The first being the £39.28M required to close the 2024/25 budget shortfall. This is shown in table 1 above. Further elements include funding for the proposed Transformation Programme and restructuring costs (see paragraphs 59 to 63 below). Recognising the Council's limited reserves, a further component of £7.48M is to fund any unforeseen events in 2024/25 that cannot be covered from reserves.																									
55.	The council is carrying a contingent liability to cover potential equal pay claims. This liability is an unintended consequence of different working practices that have been in place across the organisation for several years, the amount of which will be determined by a full equal pay audit. A sum of up to £52M is included in the EFS to create a provision for such claims, as and when these can be quantified.																									
56.	The EFS will be in the form of a 'Capitalisation Direction'. Capitalisation is how the government permits local authorities to treat revenue costs as capital expenditure. It																									

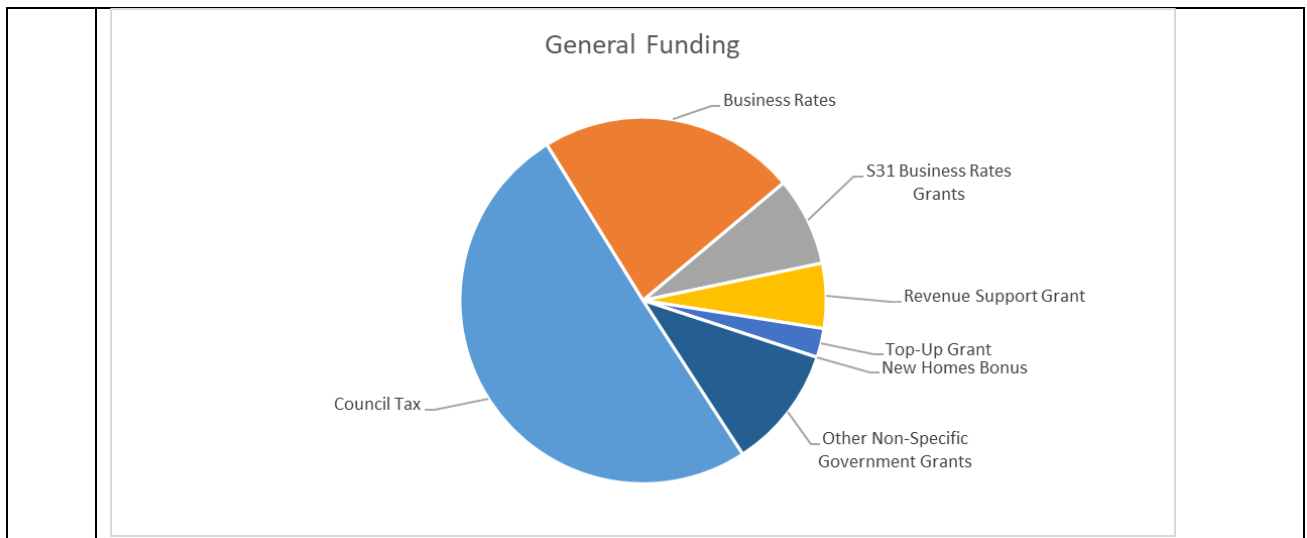
	<p>is a relaxation of the rules that require revenue costs to be met from revenue resources only and that councils should not “borrow” to fund revenue expenditure. Obviously, a local authority does not have to borrow to fund the capitalised expenditure as it can legitimately use capital receipts to do so.</p> <p>EFS is only available in 2024/25 to give the council time to develop further savings and transformation plans to reduce the structural budget deficits in future years.</p>
57.	<p>Any use of EFS will require the generation of capital receipts to create the necessary funding or will need to be funded by new borrowing. Any new borrowing will attract a premium of 1% on the prevailing PWLB rates and removes the entitlement for us to borrowing using certainty rates, so will be closer to 1.5% above the rate we would have borrowed at. The repayments will add to the financial pressures the Council faces.</p>
58.	<p>The Government has attached two significant conditions to the granting of EFS. Firstly, the Council must produce a Transformation and Improvement Plan and secondly, the government will commission an External Assurance Review on the Council’s use of EFS and progress in its plans to close the structural deficit in 2025/26 and beyond.</p>
	<p>PLANS FOR 2024/25</p>
	<p>Transformation Programme</p>
59.	<p>The Council is establishing a comprehensive Transformation Programme as part of its plans to address the structural budget deficit. The scope of the programme is currently in development but is likely to include service review and re-design, new service operating models, technology enabled change and efficiency, asset rationalisation (see ADDP below), procurement and third party spend, income generation and partnership working (including with health and the voluntary sector).</p>
60.	<p>The funding requirement for the Programme is up to £10.62M in 2024/25, matching the EFS application for this component. In 2024/25 transformation funding will be primarily drawn from capital resources. The Programme will be multi-year and further resource requests will come forward for future years, including how these will be funded.</p>
61.	<p>The Transformation Programme will operate in parallel with an on-going drive to identify and implement new savings proposals in-year and to contribute to the MTFS in future years. This will inevitably include proposals to stop or reduce non-core and non-statutory activity.</p>
62.	<p>The Government has required the Council to produce a Transformation and Improvement Plan as a condition of its EFS offer, and the scope of the Council’s Transformation Programme will be reflected in this Plan.</p>
63.	<p>The Transformation Programme will result in significant changes to the council including the restructuring of directorates and services. To eliminate the structural budget deficit, the Council will have to be a smaller organisation in the future. The EFS facility includes up to £12.2M for restructuring costs in 2024/25, including for potential redundancy costs.</p>
	<p>Business and Budget Planning Framework</p>
64.	<p>The Council will implement a new Business and Budget Planning Framework for 2024/25 that will be closely aligned to the MTFS. It will be built around:</p> <ul style="list-style-type: none"> • An overall Council wide Business Plan and MTFS

	<ul style="list-style-type: none"> • A single integrated Transformation Plan • Clear service plans (including savings delivery plans) • A renewed focus on budget management and accountability <p>The Business and Budget Planning Framework is at Appendix 6.</p>
	Accountability Statements and Cash Limits
65.	It is important to remember that the basis of the new budget strategy agreed by council in July 2023 is one of cash limited budgets. The intention was that to enforce greater resilience and ensure there is a culture of financial management and control, the council will introduce 'cash limited' budgets for Directorates and Portfolios to adhere to. An Executive Director or Cabinet Member must plan to always stay within their cash limited budgets. As the CIPFA review of financial management recommends, a clear message of ownership and accountability for sound financial management needed to be reinforced across the council.
66.	To further promote good financial management, Accountability Statements will be produced for all budget holders setting their responsibility to manage budgets and to take action to mitigate budget pressures where overspending is forecast. The Cabinet Report of 29 November 2023 set out a draft statement and made it clear this would be introduced from 1 April 2024 in a supportive way with necessary training, advice and support provided to budget holders. The business and budget planning framework will introduce a Budget Review Panel chaired by the Chief Executive to ensure any overspending areas are tackling the issue and building robust deficit recovery plans. This budget review panel will replace cost control panel, thereby placing the emphasis on budget holders to be accountable and responsible for living within their means.
	Procurement Plan and Highways Framework
67.	Appendix 7 sets out the procurement pipeline for the period 1 April 2024 to 31 March 2029, inclusive. This provides details of anticipated non-health and care procurement projects that have a forecast value of more than £10,000. It should be noted that urgent and unforeseen projects may be added to the procurement pipeline.
68.	A notable planned procurement relates to a new Framework approach for Highways. The council has a statutory duty to deliver certain highways and related services and various delivery models have been considered to achieve this. The "single provider" delivery model has been identified as most able to deliver best value and meet the council's requirements. Approval to procure the single provider model will provide certainty in terms of the delivery model and allow for more detailed planning, scoping, and formal procurement activity to commence. Further information is contained in Appendix 8.
	Asset Disposal and Development Programme (ADDP)
69.	The Asset Disposal and Development Programme is seeking to generate capital receipts over several years. These receipts will be used to meet the costs of the transformation programme and, if there is sufficient available, consideration will be giving to using receipts to fund the capitalisation direction instead of borrowing.
	Financial Management Improvement
70.	In response to the CIPFA recommendations on financial management and finance function effectiveness, a programme of work has commenced to implement these

	recommendations. The over-riding aim of the work is to improve financial management across the organisation, including the effectiveness of budgetary management and control, enhanced financial awareness and skills, and improving working relationships between finance and service directorates. It will also be about improving the effectiveness of the Council's finance function. The project covers four main themes which are people and culture, processes, data and reporting, and use of technology.																																
	Debt Management																																
71.	A new operating model for debt recovery will be implemented. This will centralise the management of debt, enabling a clearer focus on this activity and improving the customer experience by taking a holistic view of those residents and businesses who are in multiple debt. Prevention will play a key part going forwards, for example, increasing the options for customers to pay in advance or at the point of sale thus avoiding debt happening in the first place.																																
	<u>COUNCIL RESOURCES AND FUNDING</u>																																
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72.	The estimated position on the Collection Fund is set out in Table 8 below:																																
73.	<p><u>Table 8 – Collection Fund 2023/24 Estimated Surplus/Deficit</u></p> <table border="1"> <thead> <tr> <th></th> <th>Council Tax £M</th> <th>Business Rates £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>(Surplus)/Deficit Carried Forward</td> <td>1.18</td> <td>(6.61)</td> <td>(5.43)</td> </tr> <tr> <td>Which is shared as follows:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Southampton City Council</td> <td>0.99</td> <td>(3.24)</td> <td>(2.25)</td> </tr> <tr> <td>Hampshire and Isle of Wight Police & Crime Commissioner</td> <td>0.14</td> <td>N/A</td> <td>0.14</td> </tr> <tr> <td>Hampshire and Isle of Wight Fire & Rescue Authority</td> <td>0.05</td> <td>(0.07)</td> <td>(0.02)</td> </tr> <tr> <td>Central Government</td> <td>N/A</td> <td>(3.30)</td> <td>(3.30)</td> </tr> <tr> <td>Total</td> <td>1.18</td> <td>(6.61)</td> <td>(5.43)</td> </tr> </tbody> </table> <p>Numbers are rounded</p>		Council Tax £M	Business Rates £M	Total £M	(Surplus)/Deficit Carried Forward	1.18	(6.61)	(5.43)	Which is shared as follows:				Southampton City Council	0.99	(3.24)	(2.25)	Hampshire and Isle of Wight Police & Crime Commissioner	0.14	N/A	0.14	Hampshire and Isle of Wight Fire & Rescue Authority	0.05	(0.07)	(0.02)	Central Government	N/A	(3.30)	(3.30)	Total	1.18	(6.61)	(5.43)
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Total	1.18	(6.61)	(5.43)																														
74.	The £2.25M that is attributable to Southampton City Council is a one-off sum, and this is reduced to £2.17M by a reduction in business rates reliefs grant receivable. The bulk will be used to make contributions to the Transformation Reserve (£1.67M) in line with the revenue reserves policy. This will be used to support the Transformation Programme and activities referenced in paragraph 59 above. The balance (£0.5M) will be used to contribute to the Organisation Re-design Reserve.																																
	COUNCIL TAX																																
75.	For 2024/25 an increase in 'core' council tax of 2.99% and an increase in the adult social care precept of 2.00% is proposed. This in line with the referendum limits set by the government, which means that the overall charge for the Southampton City Council element of the council tax will increase to £1,812.69 for a Band D household, which is an extra £1.66 per week. The full calculation is set out in Appendix 9, which																																

	shows the council tax requirement for 2024/25 is £121.4M. Additional charges will be made by the Police and Fire authorities as set out in Appendix 10.
76.	The tax base has been calculated based on 66,989 (Band D equivalents) for 2024/25, which represents a reduction of 0.1% on the tax base applied in 2023/24 (a reduction of around £0.1M in council tax income). The reduction is primarily due to a revision to the estimated collection rate from 98.5% to 98.25% to reflect more recent experience, offset by an estimated increase in the tax base from the introduction of premiums on properties that are empty for 12 months or more from 1 April 2024.
77.	The tax base estimate for 2025/26 includes the estimated impact of introducing council tax premiums on second homes from 1 April 2025.
78.	The government has given no indication of council tax referendum limits for future years. For planning purposes, the MTFs includes the working assumption that the 'core' council tax charge will increase by 2.99% each year from 2025/26 and there will be no increase in the adult social care precept.
	BUSINESS RATES
79.	Under the business rates retention scheme the council retains 49% of the business rates collected locally, with 1% going to the Hampshire and Isle of Wight Fire & Rescue Authority and 50% to central government. The council's estimated share of business rates income (excluding government grant in lieu of rates) for 2024/25 is £51.2M.
80.	The Non-Domestic Rating Act 2023 gave power to ministers to set the small and standard business rates multipliers separately. The government used this new power to announce in the 2023 Autumn Statement different treatments for the multipliers for 2024/25, with the small business rate multiplier being frozen and the standard business rate multiplier being increased by 6.62% in line with the Consumer Price Index (CPI) for September 2023. The freeze in the small business rates multiplier and the extension of the rate relief measures for the retail, hospitality and leisure sectors, also announced in the 2023 Autumn Statement, will be funded by government grant.
81.	The Non-Domestic Rating Act 2023 allows for more frequent updates of rateable values, which will occur every 3 years rather than every 5 years, beginning in 2026. The MTFs assumes the impact of the revaluations on the council's income will be neutral, on the assumption that Top-Up Grant will be adjusted as with previous revaluations.
	GOVERNMENT GRANTS
82.	<u>Revenue Support Grant (RSG)</u> For 2024/25 the inflationary uplift in RSG is £0.9M (6.6%), taking it to £13.7M. The MTFs assumes that the settlement funding assessment (SFA) for 2025/26 onwards will remain at the cash amount as for 2024/25. SFA comprises RSG and business rates baseline funding. Therefore, as it is assumed that business rate income will rise with inflation, it is assumed that RSG will reduce in real terms.
83.	<u>Top-Up Grant</u> The council receives Top-Up Grant as an element of its settlement funding assessment. The grant was adjusted in 2023/24 for the effect of the 2023 business

	<p>rates revaluation and this adjustment was updated in the 2024/25 settlement to reflect 2022/23 outturn data. The council's Top-Up Grant for 2024/25 is £6.1M. The MTFS assumes that a business rates baseline reset will occur in 2026/27 and the council's Top-Up Grant will reduce as a result.</p>
84.	<p><u>New Homes Bonus</u></p> <p>The scheme was expected to have ended a few years ago, however the government has rolled it over for one more year. The council's allocation for 2024/25 is less than £0.1M, relating to the element for bringing empty properties back into use, as it didn't achieve the threshold for receiving a growth allocation.</p>
85.	<p><u>Public Health Grant</u></p> <p>The Public Health Grant continues to be a ring-fenced grant in 2024/25 and is included within the budget for the Wellbeing & Housing Directorate. Final allocations for 2024/25 were published on 5 February 2024, with the council being awarded £18.9M.</p>
86.	<p><u>Other Grants</u></p> <p>Additional ring-fenced funding for adult social care were announced in the 2022 Autumn Statement.</p> <p>In December 2023 the government confirmed additional funding for the second year of the Market Sustainability and Improvement Fund (MSIF) Workforce Fund would be rolled into the existing MSIF for 2024/25. The council's allocations for 2024/25 are £2.5M Adult Social Care Discharge Fund and £4.9M MSIF.</p> <p>The Improved Better Care Fund allocation for 2024/25 is £10.7M, which represents no change from the previous year. These ring-fenced grants are included within the budget for the Wellbeing & Housing Directorate.</p> <p>The council's share of Social Care Grant has increased from £18.5M for 2023/24 to £24.3M for 2024/25, including its share of the extra £500M announced by the government on 24 January 2024.</p> <p>The Social Care Grant was un-ringfenced up until 2022/23. However, from 2023/24 onwards the government has stipulated that it can only be used to meet spending in adults and children's social care. As the grant can be used across both areas of social care it is treated within the MTFS as general funding.</p> <p>Services Grant, which was a new funding stream in 2022/23, has been significantly reduced from £2.2M for 2023/24 to £0.4M for 2024/25, as it is being used to pay for increases elsewhere in the settlement.</p> <p>The MTFS assumes that these other grants are ongoing in future years.</p> <p>Further details on government grants are provided in the MTFS (Appendix 1) and a schedule of key grants received by the council is included at Appendix 11.</p>
87.	<p>Chart 1 below shows a breakdown of the council's £239.2M general funding for 2024/25. Council tax revenue is the single most significant portion of un-ringfenced council funding, representing half of the general funding available.</p>
88.	<p><u>Chart 1 – 2024/25 General Funding</u></p>



FEES & CHARGES

89. Fees and charges have been reviewed and updated by 6.7% in the main (September 2023 CPI) in line with the policy set out in the MTFS (Appendix 1), with the additional income being reflected in the savings proposals referenced in paragraph 40. A summary of fees and charges changes for 2024/25 is included at Appendix 12 and a schedule of individual charges is available in Members’ Room Documents. Both Appendix 12 and the schedule of charges include increases in Careline charges for 2024/25.

REVENUE RESERVES

90. Reviewing reserves and considering their level against risk faced is a normal part of the budget process, including any top-ups or drawdowns. However, for the 2024/25 budget, consideration of the level of reserves is much less secure due to the difficult financial circumstance in which the Council finds itself.

The CIPFA report commissioned by the Council during the summer noted that council reserves had undergone “a significant reduction and this erosion of reserves means that these cannot be utilised in the future years to support the Council’s finances and in reality, places the organisation at significant risk during 2023/24 and beyond”. CIPFA considered reserves to be insufficient even allowing for a then estimated Medium-Term Financial Risk Reserve balance of £10M (as at 31 March 2024). Since then, new forecasts have been made for this reserve.

Earmarked Reserves

91. Allowing for the current estimated in-year overspend forecast, the Council’s main reserve to cover financial and other risks, the Medium Term Financial Risk (MTFR) reserve, will be reduced to £1.7M as at 31 March 2024. This compares with a balance of £28.4M at the start of 2023/24.

92. The forecast balance on the Transformation and Improvement and Organisational Redesign Reserves at the end of 2023/24 is £5.2M. Allowing for an anticipated top-up in 2024/25, the total available in both reserves next year will be round £7.3M.

93. The reserve forecasts are provided in the MTFS at Appendix 1. Other reserves listed have been established to address known and specific liabilities and are therefore considered unavailable for use with transformation costs or to cover

	financial risks. This situation will be kept under regular review, given the difficult financial circumstances the council faces.																																				
94.	Table 9 below sets out the forecast levels of the Council's earmarked reserves, showing which of the earmarked reserves are set aside to manage financial risk and which are either contractually committed or required to fund known initiatives such as the proposed Transformation Programme.																																				
95.	<p><u>Table 9 – Reserves (excluding schools' balances) forecast year end balance</u></p> <table border="1"> <thead> <tr> <th>Type of reserve</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> </tr> </thead> <tbody> <tr> <td>Risk</td> <td>4.12</td> <td>3.32</td> <td>5.72</td> <td>10.40</td> <td>17.72</td> </tr> <tr> <td>Contractual purpose</td> <td>4.26</td> <td>4.02</td> <td>3.58</td> <td>3.16</td> <td>2.62</td> </tr> <tr> <td>Ringfenced</td> <td>6.35</td> <td>4.16</td> <td>3.56</td> <td>4.03</td> <td>4.60</td> </tr> <tr> <td>Internal projects</td> <td>6.34</td> <td>8.52</td> <td>8.53</td> <td>8.54</td> <td>8.57</td> </tr> <tr> <td></td> <td>21.07</td> <td>20.02</td> <td>21.39</td> <td>26.13</td> <td>33.52</td> </tr> </tbody> </table> <p>Numbers are rounded</p>	Type of reserve	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Risk	4.12	3.32	5.72	10.40	17.72	Contractual purpose	4.26	4.02	3.58	3.16	2.62	Ringfenced	6.35	4.16	3.56	4.03	4.60	Internal projects	6.34	8.52	8.53	8.54	8.57		21.07	20.02	21.39	26.13	33.52
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	21.07	20.02	21.39	26.13	33.52																																
96.	A new policy for reserves was adopted by Council in July 2023. The agreed policy is supplied in Annex 8 to the MTFS (Appendix 1). The intention is to adhere to an approach where reserves are not used for balancing the budget but are for non-recurrent purposeful investment or spend and to ensure that there is financial provision set aside to meet known future one-off commitments. The approach is that any 'one off' gains arising during the year will be directed into reserves to supplement resources held.																																				
	General Fund balance																																				
97.	The General Fund balance is forecast to be £10.07M by 31 March 2024, the same sum as at the start of the year and the balance it has been for several years now.																																				
98.	For 2024/25 it is being increased to £12.0M in line with the CIPFA recommended minimum balance.																																				
99.	There is limited capacity to add substantially to reserves in the forthcoming financial years. However, in future years the Council must create greater headroom within its general and earmarked reserves to manage future risks and fund one-off investments.																																				
	Contingency																																				
100.	The contingency budget for 2024/25 in the draft budget is set at £7.5M. However, it includes £2M for potential redundancy costs and a further £1.9M allowance for potential loss in rental income arising from asset disposals. Given the level of reserves, a higher contingency sum would have been desirable, but under the circumstances it has not been possible to increase its level.																																				
101.	Under the approach of cash limited budgets now adhered to by the council, previously held sums for inflation have now been fully allocated out to directorates. This means there is no central resources to fund pay awards or inflationary pressures if it exceeds the allocation made. In such circumstances the directorates themselves would have to find additional savings in-year to compensate for inflationary pressure when it exceeds the sums allocated.																																				

HOUSING REVENUE ACCOUNT (HRA)	
102.	<p>The HRA is reported separately. The HRA continues to face challenges to its financial position both now and especially in the future.</p> <p>The HRA can only be funded via the rents and other housing related charges it generates, being a ring-fenced account. The same economic pressures with costs faced on the General Fund are coupled with the decisions that have curtailed potential income.</p> <p>The decision was made to freeze rents and service charges for one-year in 2022/23 (when most authorities implemented a 4.1% rise), as well as rent reductions of 1% pa between 2016/17 and 2019/20, producing a significant loss of base income which has a continuing effect.</p> <p>Planning for the Housing stock requires long term planning. The HRA must not only present a balanced budget for 2024/25, but it must also demonstrate that spending plans are affordable over a 40-year horizon to both manage and maintain the housing stock in good condition for tenants. It must also meet legislative obligations in respect of landlord responsibilities written into current and forthcoming legislation).</p>
103.	<p>Despite the agreed 7.7% increase in rents for 2024/25 therefore, financial challenges continue for the HRA. Where pressures have been quantified these are built into the model and 40-year plan. However, some risks are not fully quantified and significant uncertainty remains with future cost pressures, for capital investment needs. The extent of these pressures will determine future savings plans within the HRA, which will need to be fully worked up and concluded as part of future years' budgets.</p>
104.	<p>Another significant risk is potential future changes in Central Government rental policy. The current guidance extends as far as 2024/25. This means future income projects are uncertain and means long term planning must be caveated for this.</p>
105.	<p>It has previously been proposed that the HRA balance be increased over time, from the current £2M held in 2023/24, to account for the greater risks and costs pressures faced. This continues to be the aim and hence the business plan assumes an increase to £3.0M in 2024/25, £4.0M in 2025/26, £5.0M in 2026/27 and £7.0M from 2027/28.</p>
DEDICATED SCHOOLS GRANT (DSG) AND SCHOOL BALANCES	
106.	<p>The deficit the authority has within the ring-fenced Dedicated Schools Grant (DSG) must also be highlighted as a further and significant risk. This currently stands at an estimated £8.3M cumulative deficit forecast by the year-end, an improvement of £1.8M from the £10.1M cumulative deficit as of 31 March 2023.</p> <p>This deficit would normally need to be offset against other revenue reserves, effectively further reducing our General Fund reserves. However, Government has provided a statutory override of the normal accounting practice, which means from 2023/24 until 2025/26 a deficit will not be counted against the Council's General Fund reserves. The Council cannot rely on any further extensions of this override and firm plans must be implemented and monitored to eliminate this deficit by, or before, 31 March 2026.</p>

107.	Outside of the DSG deficit, individual schools can also incur a deficit. The total of these deficits amounted to £3.7M according to our latest 2023/24 forecast, which compares with a £4.5M deficit at the last year-end (2022/23).
108.	<p>Schools with a significant deficit (above £0.25M forecast) are working to an agreed deficit recovery plan. The schools are:</p> <ul style="list-style-type: none"> • Hardmoor (deficit £0.71M) • St. Marks (deficit £0.48M) • Valentine Primary (deficit £0.49M) • Mansbridge Primary (deficit £0.35M) • Shirley Warren (deficit £0.36M) • Polygon (deficit £0.36M) <p>Valentine and Shirley Warren currently have an Ofsted grade of Requires Improvement, with a combined deficit totalling £0.85M. Any deficit outstanding at a point a school is required to become an academy falls on the Council, as opposed to remaining with the school. It is therefore important, to reduce risk, that schools have plans to eliminate their deficits.</p> <p>At the time of writing there are two further schools in deficit that are working with the Executive Director for Children and Learning and the finance team to finalise their deficit recovery plans (DRP). These schools are:</p> <ul style="list-style-type: none"> • Compass Alternative Provision (£0.44M deficit) • Townhill Junior (£0.31M deficit) – which has produced a Deficit Recovery Plan, but that needs to be approved by its board of governors.

BUDGET CONSULTATION	
109.	Public consultation was undertaken to seek views on budget proposals for 2024/25. The consultation took place between 23 November 2023 and 17 January 2024.
110.	<p>The proposals consulted on were:</p> <ul style="list-style-type: none"> • Introduce a council tax premium in 2025/26 of 100% for people with second homes. This means doubling the council tax that they will have to pay. * • Introduce a council tax premium in 2024/25 of 100% for people with properties that have remained empty for 12 months or more. Currently we charge a premium of 100% where a property is empty and unfurnished for a period of 2 years or more. ** • Increases in Council rent, • Landlord-controlled heating costs in council owned homes. <p><i>*Due to a typographical error the dates were incorrectly listed as 2024/25 in the questionnaire. The proposal would be implemented from 2025/26.</i></p> <p><i>**Due to a typographical error the dates were incorrectly listed as 2025/26 in the questionnaire. The proposal would be implemented from 2024/25</i></p>
111.	Any that could impact the way that residents or customers review or experience a service of the council were subject to an Equality and Safety Impact Assessment (ESIA). A Cumulative Impact Assessment was also developed to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on

	community safety, poverty and health and wellbeing. These impact assessments were published alongside the public engagement exercise.
112.	<p>The Budget Consultation had 1,221 responses which compares favourably with response levels in recent years. On each of the questions asked there was a clear majority in favour of the proposition.</p> <ul style="list-style-type: none"> • Council Tax premium for second homes was 82% of respondents in favour. • Council Tax premium on empty homes was 86% of respondents in favour. • Council rent increases 65% agreed with the proposal (including 39% of tenants of a council owned home) • On landlord-controlled heating costs 64% agreed (but 14% of tenants in council owned homes with landlord-controlled heating)
113.	A full analysis of the public engagement exercise feedback is included in Members' Room documents.
	EQUALITY AND SAFETY IMPACT ASSESSMENTS
114.	The Equality Duty is a duty on public bodies which came into force on 5 April 2011. The council will have due regard to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
115.	While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.
116.	Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIAs are available in Members' Room documents.
117.	The individual ESIAs have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the city's profile, service user and non-user information and staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities. The Cumulative Impact Assessment is attached at Appendix 13.

	<u>SECTION 25 STATEMENTS IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
118.	The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under Section 25 of the 2003 Local Government Act. An authority is required to consider their Chief Financial Officer's report when setting the level of Council Tax.
	Robustness of Estimates
119.	<p>The council is in a very challenging financial position and without government support in the form of a capitalisation direction the council would be in a section 114 position. The minded to letter from government allows the council to set a budget for 2024/25, a direction will not be issued until we have satisfied both conditions.</p> <p>Over the next few months some very difficult decisions need to be taken and pace in the transformation agenda needs to be applied to ensure we are closing the financial gap as we go through the year, and can set a balanced budget for 2025/26.</p> <p>The current year has been very financially challenging, which provides the context for setting the 2024/25 budget. The budget pressures have been significant, in terms of demand and the cost of providing care across adults and children social care, Home to School Transport and homelessness in particular.</p>
120.	<p>A very important influence on the size of the financial gap and the budget for 2024/25 was the reliance on a £20.6M drawdown from reserves to balance in 2023/24. Funding ongoing expenditure from one off sources of funding creates a structural deficit in the budget where the council is spending more than the income it receives. This position is unsustainable and has reduced reserves to a below minimum level.</p> <p>This has required the council to seek support from central government in the form of an exceptional financial support capitalisation direction. This direction is not a solution, only a combination of a reduction in expenditure and an increase in income will create a sustainable budget and consequently a sustainable organisation.</p> <p>The drawdown on this capitalisation direction needs to be kept to a minimum via careful management of the council's financial position, using transformation as well as strong budgetary control by budget holders. In order to ensure budget holders are aware of their responsibilities an accountability statement has been introduced and a budget review panel will be put in place as per paragraph 66. The new cash limits for 2024/25 identified in this report will need to be adhered to, this will ensure the council is balanced at the end of the year. Once the transformation plans have been drawn up addressing demand management, alongside further efficiency proposals new cash limits for the medium term will be established and from this point any pressures identified will require an offsetting savings plan to ensure we are adhering to the previously agreed financial framework.</p> <p>The estimates contained within the report have taken account of all known pressures to ensure we have right sized the budget for the current operations and the savings proposals have been peer challenged by finance, project management office and between executive directors. Only proposals with a high</p>

	<p>confidence rating, and either a delivery plan in place or already delivered have been included in the budget. This is to ensure we deliver a high percentage of the savings planned and the budget is robust, as we cannot continue to overspend in the way the organisation has been.</p> <p>The organisation will need to utilise capitalisation direction to fund one off expenditure and projects that will save money or generate income going forward and ensure we have transformed services to deliver reduced demand and improved outcomes for residents in a cost-effective manner, right sizing the organisation to the resources available.</p> <p>I can confirm that the budget has been set on reasonable assumptions as set out in Appendix 1. The budget also considers all material, financial and business issues known at the time of preparation.</p> <p>All in year pressures in 2023/24 have been reviewed to consider any that are ongoing and therefore need to be considered as part of the 2024/25 budget setting process.</p> <p>Failure to contain expenditure within the estimates set out in this report, has a high probability of resulting in a section 114 notice for the council. This has been avoided this year by the capitalisation direction.</p>
	<p>Adequacy of Reserves</p>
<p>121.</p>	<p>In addition to the ongoing impact from the highlighted above, coupled with the expected further use of reserves to address in-year overspending there are several risks that need to be considered when assessing the level of reserves. These are detailed below:</p> <ul style="list-style-type: none"> • The potential for the council to overspend its resources through demand pressures in social care, and education, despite a capitalisation direction being in place. • The reliance on delivering savings to achieve a balanced budget. The savings for 2024/25 included in this draft budget are £22.7M, which represents a significant total (9.5%) out of the net budget of £239.2M. • The risk of the council needing to drawdown on the capitalisation direction utilising borrowing to pay for the expenditure will result in an additional 1% interest charge being added to future borrowing. • The local government finance settlement from government was for one year only. Uncertainty with government funding remains an issue for 2025/26 onwards. This is coupled with a potential for changing priorities under a new government (of whatever political persuasion). This will also include any reviews of local government funding and distribution. • There is also a potential risk of a loss of the business rate growth to the council from any future reforms to the Business Rate Retention Scheme. Currently this provides the Council with a 49% share of local business rates. Any update of the scheme is likely to mean a 'reset' of baselines used to calculate the growth retained locally for business rates, with the amount of growth therefore at risk depending on the detail of any Government proposals. The local growth in business rates is worth £8.5M to the Council's budget in 2024/25. • Business rates are also inherently unpredictable, meaning the Council must budget prudently allowing for uncertainty and volatility with funding in future as this funding stream is linked to local economic strength and is not reflective of the demands faced by the Council for service provision.

	<ul style="list-style-type: none"> • Pay inflation remains a risk, with the national pay settlement for local council staff for 2023 adding around 5.6% to our pay bill. The proposed budget for 2024/25 makes provision of around 3% for a pay increase. An additional 1% would add £1.3M to the requirement. There is no provision in reserves for this risk therefore any sum beyond that will mean the council will have to find additional savings. • The council has had a policy of only increasing non-pay budgets where they relate to external contracts, but even allowing for that 2024/25 has seen an increase of £6.5M for contract related budgets. An additional 1% on these contracts will result in an additional pressure of £1.0M, there is no provision for this in reserves. • Any further volatility with energy markets and any impact increasing the costs of energy. A 1% increase means £0.05M. • Further work will be ongoing to address the equal pay matter and as we go through the financial year this liability will become more certain both in terms of timing and amount. This will lead to the requirement for a provision or reserve to be created.
	<p>DSG and School Balances</p>
122.	<p>The current forecast deficit with the DSG stands at £8.3M, a reduction of £1.8M compared to the position reported for 2022/23. This will fall on the authority to cover from 1 April 2026 unless the deficit is resolved by then. There is a risk that without clear plans to ensure the council has removed this potential pressure prior to the statutory override being removed this will become a significant pressure in 2026/27.</p> <p>The schools' balances are in a positive position however there is a cumulative deficit of £3.7M from 14 schools (2 with no agreed school deficit recovery plan), and this represents a decrease from the 2023/24 position of £4.5M deficit. Should schools with a deficit be forced to become an Academy this deficit is transferred to the council. Further action is therefore needed to turn around this trend of increasing deficits and the two remaining schools without an agreed plan must rapidly resolve this situation.</p>
123.	<p>When confronted by financial risk, the S151 Officer must evaluate the available resources at the Council's disposal to mitigate risks. To this end, the resources available for 2024/25 under the proposed budget are:</p> <ul style="list-style-type: none"> • A forecast available balance within the General Fund as at the end of 2024/25 of £12.0M • A forecast uncommitted balance in the Medium-Term Financial Risk (MTFR) Reserve which is forecast will be £1.7M at April 2024 <p>Reserves are inadequate going into next financial year, having been depleted. Although there are some modest contributions planned for 2024/25 into reserves, it is important that the council continue the strategy set in July of allocating one off gains into reserves and continue to build in reasonable replenishment to its plans as well as minimising the need for reserves by:</p> <ul style="list-style-type: none"> • ensuring risks are managed via mitigations and are taken into account when forming business plans and cases. • having budget plans that account for any foreseeable pressures and are owned and understood by the budget holder. <p>Additional work will be needed during 2024/25 and onwards to find ways to strengthen reserves, in future iterations of the MTFs, and move to a position</p>

	where reserves are adequate both for risks faced and the capacity needed to invest in services.
	Housing Revenue Account (HRA) (considered at Full Council 21 February 2024)
124.	<p>Although the HRA budget setting report was considered at 21 February 2024 meeting it still forms a significant part of the council's financial plans hence the need to comment on the adequacy and robustness as part of these statements. HRA income matches expenditure for 2024/25. The HRA must also plan long term, due to the long-term nature of the investment required for good, well maintained housing stock. Over that longer term, there remains a number of uncertain liabilities that are hard to quantify and that, coupled with rising costs and interest rates, is likely to prove a significant challenge in future years.</p> <p>A significant risk to the long-term plan is the risk of overall capital investment requirement significantly increasing over a prolonged period. The impact of this could have a significant adverse impact on HRA balances as property costs would begin to exceed rental income.</p> <p>Difficult decisions are therefore likely to lie ahead on investment with capital resources, to maintain financial stability in the long term.</p> <p>Because of the risks, I consider it essential that the HRA business plan includes increasing the HRA balance, and the plan assumes an increase to £3.0M in 2024/25, £4.0M in 2025/26, £5.0M in 2026/27 and £7.0M from 2027/28.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
125.	The capital and revenue implications are fully detailed within the report.
<u>Property/Other</u>	
126.	There are no specific property implications arising from this report.
<u>Staffing Implications</u>	
127.	The proposed savings contained within this report do have implications on the number of full-time equivalent posts within the council. Table 10 below details the overall impact.

128. **Table 10 –The estimated reduction in workforce from the savings proposals**

Directorate	2024/25		2025/26		2026/27		2027/28	
	Headcount	FTE Posts	Headcount	FTE Posts	Headcount	FTE Posts	Headcount	FTE Posts
Children & Learning	21	17	21	17	21	17	21	17
Corporate Services	32	42	32	42	34	44	34	44
Place	6	28	7	29	7	29	7	29
Strategy & Performance and CEO	5	4	5	4	5	4	5	4
Wellbeing & Housing	60	47	60	47	60	47	60	37
Total impact of proposals	124	139	125	139	127	141	127	141
Less: reductions already made in 2023/24	(68)	(105)	(68)	(105)	(68)	(105)	(68)	(105)
Impact of proposals in future years	56	34	57	34	59	36	59	36

129. In table 10 FTE posts includes vacant posts, however these are excluded from the reductions in headcount.

There are other service redesign proposals in progress that may have workforce implications. It is not possible to say at this stage what the change will be. Any staffing implications will be reported at the appropriate time.

Several measures will be used to manage any workforce reductions arising from current and future savings proposals, including redeployment. We will seek to keep headcount reductions at a minimum.

LEGAL IMPLICATIONS

130. 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.

131. 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.

132. 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.
133.	The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2024 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.
134.	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.
135.	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.
136.	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 statement by the S151 officer is included alongside the budget and council tax setting report to both Cabinet and full Council.
137.	Of particular importance to the council tax setting process and budget meeting of the full Council is the council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the budget of the city council is determined, and the council tax is set. In addition, Members need to be aware that these rules provide a route whereby the Leader may require the full council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
138.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 14, which Members are directed to have regard to in reaching their decision.
139.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal.
<u>Other Legal Implications:</u>	
140.	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 Executive Management Team, the proposals contained in this report have been checked from a legal viewpoint.

141.	<p>Local authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 the right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life.</p> <p>In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty.</p> <p>The duty provides that:</p> <p>(1) A public authority must, in the exercise of its functions, have due regard to the need to—</p> <p>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</p> <p>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;</p> <p>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</p> <p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</p> <p>(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;</p> <p>(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.</p> <p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—</p> <p>(a) tackle prejudice, and</p> <p>(b) promote understanding.</p> <p>The relevant protected characteristics are—</p> <ul style="list-style-type: none"> • age; • disability; • gender reassignment; • pregnancy and maternity; • race; • religion or belief; • sex; • sexual orientation.
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	Details of how the council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISAs which Members must have regard to in reaching their decision.
RISK MANAGEMENT IMPLICATIONS	
142.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis, with the last update included as appendix to the Revenue Financial Monitoring Report to Cabinet on 20 February 2024.
143.	Details of the risk assessment of the budget are given with the Chief Financial Officer's statement on the robustness of the budget estimates at paragraphs 118 to 124.
POLICY FRAMEWORK IMPLICATIONS	
144.	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 2024/25 must be proposed by the Cabinet for consideration by the full Council under the Constitution.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Medium Term Financial Strategy 2024/25 to 2027/28
2.	2024/25 Net revenue Expenditure Budget Adjustments by Service Activity
3.	Budget Pressures
4.	New Commitments
5.	Savings
6.	Business Planning Framework
7.	Procurement Pipeline 2024 - 2029
8.	Highways and Associated Services Arrangement
9.	2024/25 Council Tax Calculation
10.	2024/25 Council Tax Collection Fund Estimates
11.	Government Grants
12.	Summary of Fees and Charges Changes 2024/25
13.	Budget March 2024 - Cumulative Impact Assessment
14.	Statutory Power to Undertake Proposals in the Report
Documents In Members' Rooms	
1.	Schedule of Fees and Charges
2.	Budget 2024/25 Consultation Report

3.	Equality and Safety Impact Assessments (ESIAs)	
4.	Savings - summary sheets	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		Yes
Other Background Documents		
Other Background documents available for inspection at:		
	Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		



MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2027/28

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Introduction

The Medium Term Financial Strategy (MTFS) provides the strategic financial framework and forward looking approach to financial planning for the council. It is central to the delivery of the council's priorities in an affordable and sustainable way over the medium term. It aids robust and methodical planning as it forecasts the council's financial position, taking account of known pressures, major issues affecting the council's finances, external economic influences, and local factors. It helps the council to plan for these to pressures and issues so far as these can be seen and assessed. This is particularly important during a period when the council faces considerable pressures and challenges. The MTFS recognises the key role that financial resources play in the future delivery of priorities and in enabling the effective planning, management, and delivery of services.

The key overriding aim of the MTFS is therefore to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's key strategic priorities and services.

Against a backdrop of a challenging economic climate, the council is facing significant pressures. Despite these pressures, it is focussed on right sizing its expenditure and budgets to meet the resources available whilst delivering on the Corporate Plan and the Administration's manifesto pledges. The council has a collective responsibility for delivering a balanced budget and a sustainable financial plan. As a result, a new financial strategy has been developed to balance the council's finances in the medium term, with the aim of improving the financial resilience of the organisation. There is full recognition of the financial situation, and the strategy set out aims to take the organisation to a sustainable financial footing, where the organisation can invest purposefully to ensure the city is growing to its full potential to become the 'city of opportunity'.

Part of the background to the financial challenges the council faces are national economic issues that have impacted on costs as well as continued pressure of demand for our local services. For example, we have experienced:

- unusually high levels of inflation and the cost-of-living crisis impact
- very sharp increases in the costs of energy for the council
- higher than expected nationally set pay awards
- sharply rising interest rates, after a prolonged period of very low interest rates
- continuing high demand for council services, especially in the field of social care for both Adults and Children, but also other key areas such as Home-to-School Transport
- Inflation, which has also impacted on contractual costs and continues to influence the costs arising from the capital programme

Despite implementing the new financial strategy and taking actions during the year to reduce net spend, a balanced budget for 2024/25 is only being achieved with Exceptional Financial Support (EFS) from the government. Subject to meeting the conditions attached to the EFS offer, this will allow revenue expenditure to be capitalised in 2024/25 and provide time for the development and implementation of a transformation programme to bring service delivery back within the resources available in future years.

Our focus and approach

Our aim is to stabilise the council's general fund to create a sustainable council that can deliver on its priorities. The MTFS is framed by both the Corporate Plan and the political priorities of the Administration, which are:

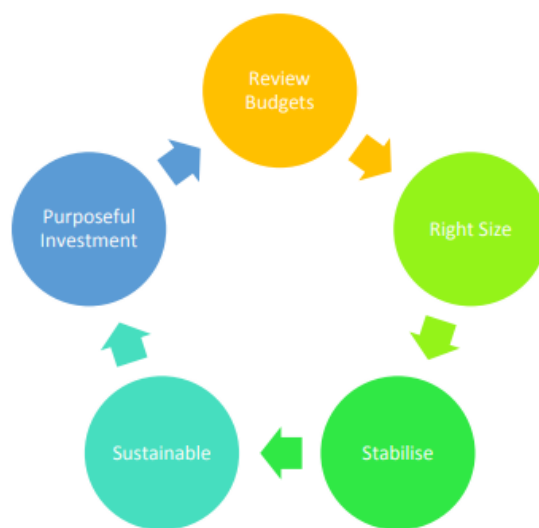
- Ensuring delivery of the manifesto
- Supporting residents with the cost-of-living crisis
- Increasing income and growing the economy
- Ensuring efficient services providing value for money for residents
- Any decision taken should not increase demand in another part of the council

In the longer term the council remains ambitious to create economic prosperity through growth. But we recognise that the current position needs urgent and responsible attention alongside the focus on achieving this vision. The financial situation is serious with a great deal of local and national uncertainty impacting on forecasts. When the 2023/24 budget was agreed it was evident the council faced significant and serious budget challenges with a heavy reliance on reserves. As a result of this the Chartered Institute of Public Finance and Accountancy (CIPFA) were engaged in the Spring of 2023 to review the financial management and the financial resilience of the organisation, and later in the year to conduct a review of forecasts to provide external validation.

CIPFA’s report highlighted the reliance on reserves to meet gaps in the council’s budget. This has led to balanced budgets being achieved but has eroded the council’s reserves. CIPFA recommended that a plan to replenish reserves should be put in place, and that the council needed to immediately put in place tight controls over savings delivery, cash limit spending and develop mitigation plans for non-delivery of these. A new financial strategy has been developed in recognition of the council’s financial position and CIPFA’s findings. This strategy describes a planned approach to address the points highlighted by CIPFA by introducing a ‘cash limited’ budget approach. It also highlights the mitigation plans aimed at better controlling in-year pressures, whether these be down to unachieved savings or new spending pressures emerging. The strategy sets out the following five steps to achieve the aim of stabilising the council’s general fund account to create a sustainable council:

1. Review budgets to establish the financial position.
2. Right sizing the budget to ensure there is clarity on affordable expenditure levels.
3. Stabilisation to remove in year overspend and ensure the structural deficit has been addressed and reliance on reserves removed.
4. Sustainable budget to ensure the council is sustainable and able to withstand economic and financial shocks.
5. Purposeful investment – all investment, either revenue or capital, to have a clear purpose and strong business case.

Figure 1: high-level overview of the financial strategy



The task of right sizing the council’s expenditure to match its resources and rebuilding reserves should not be underestimated. The council is in an uncertain financial position and will need the whole organisation to focus on cost control, at the same time as we are growing the city and the income streams of council tax, business rates and fees and charges. To achieve a balanced and sustainable budget, new approaches will need to be introduced due to the scale of the challenge now being experienced. Tactical savings and efficiencies alone will not deliver the scale of reduction required to meet the legal obligation of a balanced budget. The strategy sets out what is needed, including cash limited budgets, service transformation and a review of key costs drivers.

A criterion of ‘purposeful investment’ will be applied when reviewing all existing and proposed future capital programme items. This is to ensure investment is focused on delivering value for money for the council and its

benefits are fully considered, taking account of the financial challenges the council faces. The purposeful investment criteria are as follows:

1. Does it reduce revenue expenditure/increase income in the current year or future years?
2. Does it stop a potential financial pressure in future years?
3. Does it have a significant impact on the lives of residents? In particular does it provide:
 - a) Solid Return on Investment (e.g. generating significant external funding/investment or inward returns from the investment to the council)
 - b) A major element necessary for the achievement of the Corporate Plan
 - c) A key commitment of the Administration

We are committed to being proactive in the budget challenges, learning from other councils nationally who have faced similar challenges. An Improvement Board has been set up with external subject matter experts providing challenge and overseeing the progress to a sustainable budget. We have also implemented a cost control panel for 2023/24, which has put strong controls on the council's expenditure. By acting transparently, we aim to identify and take further difficult decisions that will be needed in a planned and effective manner that minimises the potential for disruption.

Other actions that have been undertaken to achieve our aims include:

- Cash limited budgets have been introduced and savings targets issued.
- Cabinet and the Executive Management Team (EMT) have held deep dive and 'star chamber' style challenge sessions throughout the year to identify and review cost control measures and savings proposals.
- Ensuring all savings proposals are supported by clear delivery plans with a focus on delivering prior to the start of the financial year.
- The introduction of a clear status rating for Cabinet and EMT to be aware of when considering proposals.
- The introduction of a finance opinion (on behalf of the S151 Officer) and completed in conjunction with the Executive Director, regarding achievability of saving when considering proposals.
- A short monthly monitoring statement has been reported to Cabinet to complement the more detailed quarterly monitoring report.
- The implementation of a signed accountability statement for budget holders, to support the introduction of cash limited budgets and the duty to manage within that resource.
- The Financial Procedure Rules (FPRs) have been amended to reflect the new Financial Strategy and reinforce sound financial governance.

Context

Strategic context

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

Southampton City Council Corporate Plan 2022-2030

The MTFS is framed by the council's Corporate Plan which sets out the direction for the council and shows how the council will play its part in fulfilling Southampton's huge potential. The plan commits to creating a place where people want to live, work, study, visit and enjoy. This will be achieved through continuing to work with partners across the city and using evidence and experience to make intelligent decisions. The plan outlines three goals and the things both the council and others in the city are doing to achieve them. There is a strong recognition of the importance of the work of other organisations the council works with in delivering a city of opportunity. The three goals set out in the plan are:

1. Proud and prosperous city
2. Strong foundations for life
3. Successful, sustainable organisation



Southampton City Strategy 2015-2025

The [City Strategy 2015-2025](#) continues to drive a vision of creating a city of opportunity where everyone thrives alongside a goal of prosperity for all. The strategy was developed in partnership with representatives from business, the public, voluntary and education sectors and the City Council. The City Strategy identifies three key priorities:

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

Other Major Strategies

[Customer access strategy 2023-2028](#)

This strategy is currently in draft and will be recommended for approval at Cabinet in the near future. The draft strategy sets out the vision:

We want to put our customers at the heart of everything we do, reflecting their feedback in the design and delivery of our services to ensure all customer experiences are easy, effective, and convenient.

The draft strategy sets out access principles and strategic approaches to contact channels in addition to three core customer service aims, all these and high-level actions aim to achieve the council's customer vision. The three core customer service aims are:

- Keep the customer at the heart of what we do;
- Aim to resolve enquiries at first contact;
- Be clear about expectations and keep customers in the loop; and
- Every interaction matters

IT strategy 2021-2025

The IT Strategy 2021-2025 describes the planned approach and activities that the IT Service will develop and deliver to support meeting the ambitions and objectives set out for Southampton City Council in the 2020-2025 Corporate Plan. The IT Strategy sets out the following principles that will be applied when delivering the IT Strategy:

- That the services provided by IT will support a digital first culture and acting as an enabler so that services can confidently build digital capability into their service plans;
- To adopt an agile mindset and agile practices to ensure rapid continual development. To continue to move away from legacy IT systems and projects approaches;
- To continue to move towards a modern IT Infrastructure that supports customer focussed digital services. The most appropriate technologies will be adopted to meet business need with an increasing use of cloud and software as a service (SaaS) products; and
- To be forward thinking and sector leading as an authority in the creation of digital services and use of IT and technology for delivering innovative and ground-breaking services.

A new digital and IT strategy is currently being developed and will come forward to Cabinet for approval in the near future.

People strategy

The People Strategy sets out the aim of creating an organisation where people can be the best of themselves, grow and do their finest work, making Southampton a city of opportunity. The priority outcomes delivered by the People Strategy will be:

- We get the right people in;
- We have the right people as managers;
- Employees are paid, rewarded and recognised in the best ways;
- People are kept engaged and always improve;
- All employees add value and take ownership.

Key Financial Strategies

Capital Strategy

The Capital Strategy provides an overview of the council's Capital Programme, Treasury Strategy, Non-Treasury Investment Strategy, and Minimum Revenue Provision (MRP) Strategy. The strategy details the priorities of the council in terms of capital expenditure and a framework for the council's capital plans to be agreed and implemented. The Capital Programme sets out the capital plans for the next five years, taking account of any capital investment required to deliver priorities.

Flexible Use of Capital Receipts Strategy

This sets out the council's strategy for using capital receipts to fund transformation expenditure. It is a requirement to have and maintain this strategy to make use of this flexibility to finance revenue costs from capital resources.

In December 2023 the government issued a "call for views" on options for the use of capital resources and borrowing to support and encourage 'invest-to-save' activity and to manage budget pressures without seeking exceptional financial support (see the national economic and public expenditure plans section below). The Flexible Use of Capital Receipts Strategy will be reviewed if the government implements these wider flexibilities.

Treasury Management Strategy

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Executive Director Corporate Services to make decisions on the management of the council's debt and investment of surplus funds.

Investment Strategy

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

Borrowing Strategy

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

External Funding Strategy

Southampton City Council is developing a rigorous and innovative approach to grants and external funding that will benefit both the city and the council. The ambition is to develop a culture of securing funding that supports the priorities of the Corporate Plan and supports purposeful investment to mitigate revenue budget pressures. To do this the Council aims to build confidence and skills to secure external funding, identify opportunities for collaboration, and to promote robust governance and resource planning. An internal Grants and External Funding Strategy (2024-27) has been developed and includes the rationale for this approach, priorities, associated action plan and details how we will achieve these through an External Funding Framework focusing on four areas: developing the knowledge and skills of staff, enhancing the council's influence and collaboration, ensuring funding is impactful through bid development and delivery, and establishing effective governance, funding tools and best practice. Successes achieved over 2023 include: Safer Streets Fund Round 5 £330k, Net Zero Living: Pathfinder Places (Phase 2) £160k, Fostering Recruitment and Retention programme c£2M, [Million Hours Fund](#) £3k, [DfE Mentoring & Befriending Grant](#) funding £418k, Violence Reduction Fund £20k, [Emerging Needs Fund](#) £25k and National Institute for Health and Care Research (NIHR) Health Determinants Research Collaborations (HDRCs) Call £5M.

Policies, plans and other factors

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

Demographics

The most recent data available for the population of Southampton is the 2021 ONS Census. This puts the total people resident in Southampton at 248,922. This is an increase of 5.1% from the last census in 2011. Southampton's population is predicted to rise to 270,800 people in 2043.

Some key headlines from the 2021 Census show that:

- Southampton has 102,291 households, of which 33,711 are one person households (increasing by +1.4% since 2011). Lone parent households have increased from 10.2% of households in 2011 to 11.0% in 2021.

- The population aged under 5 years of age decreased by 10.5% and the population aged 5 to 14 increased by 20.9% compared to 2011. Additionally, the number of people aged 65 to 84 increased by 13.7% and people aged 85 and over decreased by 2% compared to the 2011 Census data.
- Around 1 in 4 Southampton residents (60,099) were born outside the UK (compared to 1 in 6 nationally). This is an increase of 44.3% from 2011, reflecting how much Southampton attracts people from elsewhere, such as students and migrant workers.
- Over half (52.8%) of the 60,099 residents in Southampton who were born outside the UK, arrived in the city over the last decade (since 2011). The majority were of working age when arriving in the UK, with the greatest proportions aged between 25 to 44 years (39.1%) and 18 to 24 years (28.7%).
- About 6 out of 7 people (aged 3+) in Southampton (84.6%) have English as their main language, which is slightly lower than in the last Census (88.2%). For just over 37,000 residents (15.4%), English is not their main language. Of these, 5,398 (14.6%) cannot speak English well and 761 cannot speak English at all. The most spoken languages in Southampton (other than English) are Polish (4.3%), Romanian (1.3%) and Chinese (0.9%).
- Southampton is getting more culturally diverse, with 68.1% of residents coming from a White British background, a decrease of 7.9% since Census 2011.
- Among the city's population, 43.4% report having no religion, 40.1% report to be Christian and 5.6% report to be Muslim.
- There are 6,361 UK veterans in the city (4,770 UK armed forces veterans, 1,346 UK reserve armed forces and 245 veterans serving in both).

Life expectancy at birth in Southampton is falling slightly when compared to the England average, for males the average in Southampton is 78.3 years and female life expectancy is 82.5 years. The over 65 population is set to increase by 18.7%, or 7,070 people, between 2022 and 2029, with the over 75 population set to increase by 20.2%, or 3,824 people. Looking at longer term projections, between 2018 and 2043, based on past trends, the over 65 population is predicted to increase by 35.0% or 11,715 people from 33,508 in 2018 to 45,223 in 2043. The over 90 population is predicted to rise by 67.8% percent from 1,804 in 2018 to 3,028 in 2043. Southampton's population is predicted to rise by 7.1% by 2043.

Socio-Economic Factors

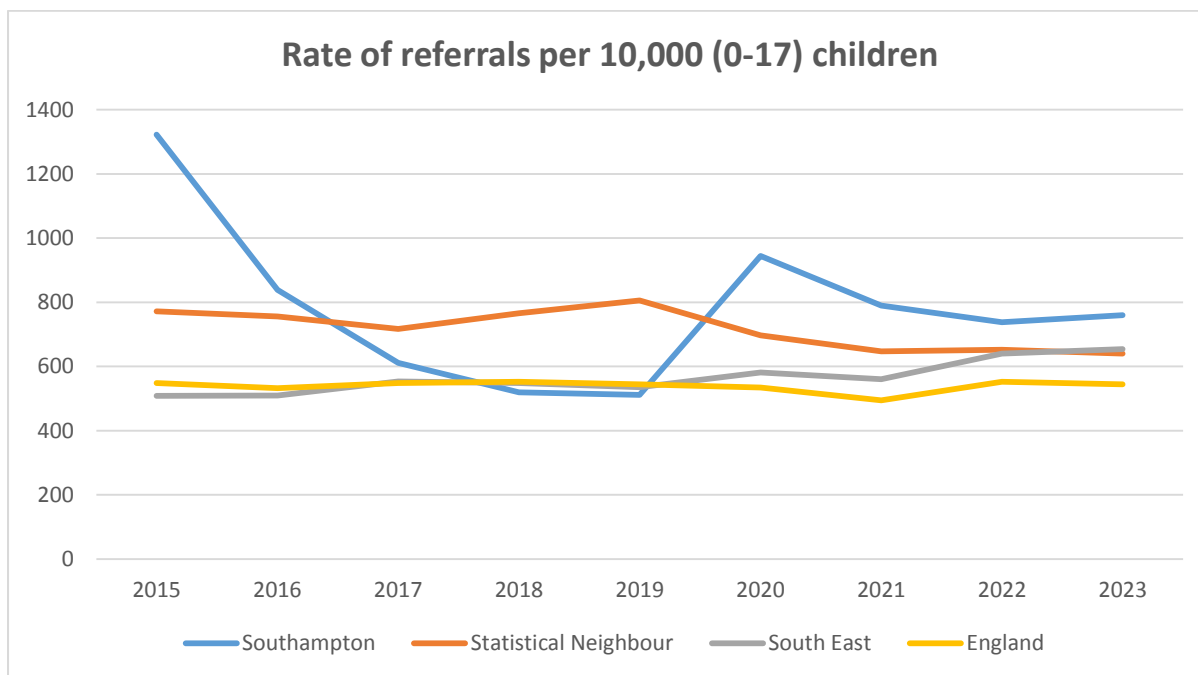
Southampton is ranked 55th on the overall Index of Multiple Deprivation (IMD) 2019 out of the 317 Local Authorities in England (1 equals the most deprived). Previously for IMD 2015 Southampton ranked 54th so has become relatively less deprived. 7 out of 16 wards have some areas which are within the 10% most deprived areas in the country. The IMD focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. The IMD from 2019 is the most recent to be published and is largely based on data from 2015/16. However, in addition in terms of economic growth in the 2019 Good Growth for Cities index, Southampton and its environs was ranked the 3rd highest city. The index takes into account jobs, income, health, work-life balance, new businesses, housing, transport, skills, environment and income distribution.

Referrals into Children Services

The trend since 2015 was a reducing rate of referrals until 2020, when there was a significant spike for Southampton linked to the COVID pandemic. Since then, the trend has been reducing but not to pre-pandemic levels. Work is underway with partners through the Safeguarding Partnership and Team Around the School activity to review the application of thresholds for referrals and the Family Safeguarding model being introduced in June 2024 will underpin this. Our rate at the end of 2023 was the lowest it has been since 2020, and we have a target of 650 to bring us closer to statistical neighbours.

Rate of referrals per 10,000 (0-17) children

Measure	2015	2016	2017	2018	2019	2020	2021	2022	2023	December 2023
Southampton	1322.2	839.1	610.9	519.4	511.1	943.9	789.9	738.1	759.8	720
Statistical Neighbour	771.78	755.47	716.93	765.85	805.28	696.9	646.76	651.68	640.06	
South East	509	509.5	553.8	548.4	535.8	581.1	560.6	640.5	654.6	
England	548.3	532.2	548.2	552.5	544.5	534.8	494.3	552.9	544.5	

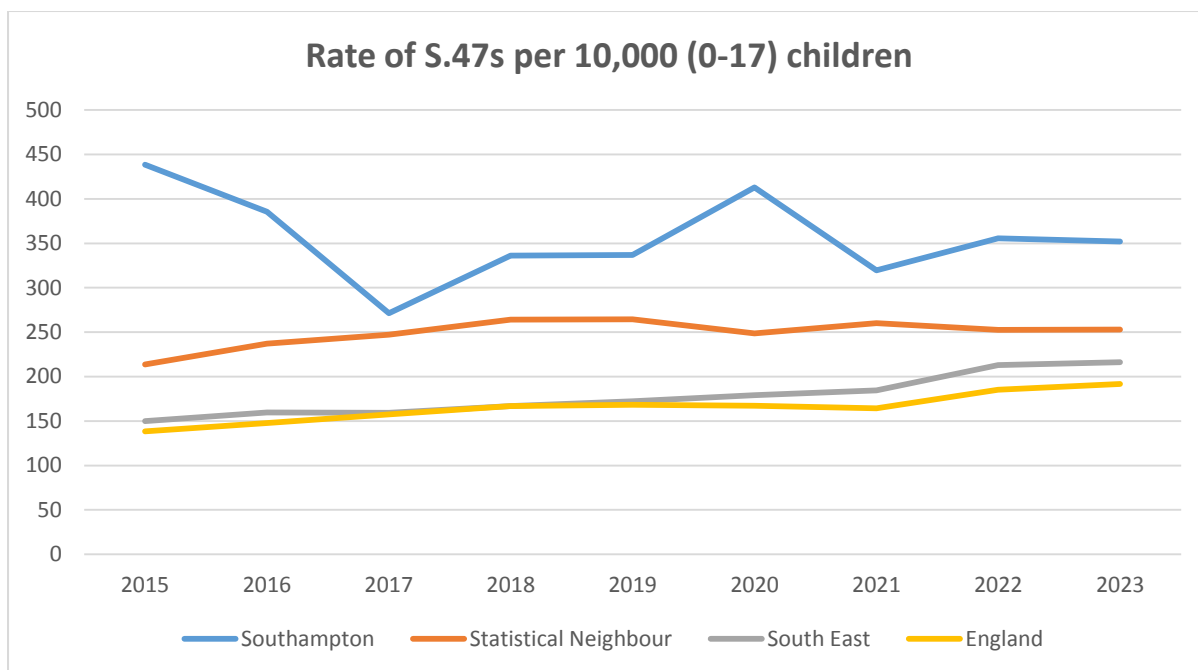


Rate of Section 47 Child Protection Enquiries

Our rate of S.47s has reduced since 2020 but remains above our statistical neighbour average suggesting that we are intervening at a statutory level too frequently with families. However, the rate at the end of 2023 was 301, the lowest since 2017, so the right trajectory. The National Framework and Working Together 2023 both refocus on relationship-based approach with families that set them at the centre of practice that is collaborative and differentiates clearly between families in need of support and children in need of protection. This cultural shift will be built on with the Family Safeguarding work jointly with Hertfordshire.

Rate of S.47s per 10,000 (0-17) children

Measure	2015	2016	2017	2018	2019	2020	2021	2022	2023	December 2023
Southampton	438.3	385.5	271.3	336.3	337	412.7	319.5	355.7	352	301
Statistical Neighbour	213.61	237.22	247.11	264.03	264.62	248.62	260.02	252.45	253	
South East	150	159.8	159.4	166.7	172.1	179.1	184.4	213.1	216.1	
England	138.5	147.7	157.6	166.9	168.3	167.2	164.4	185.2	191.6	

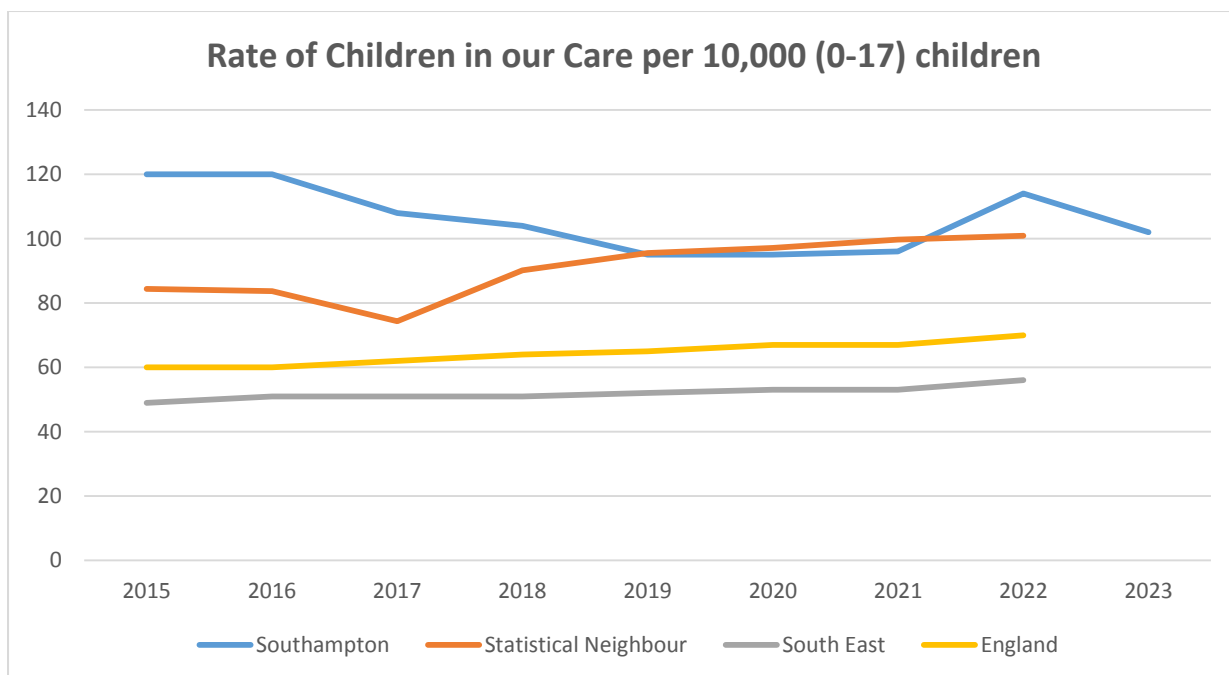


Rate of Children in our Care

Over the period from 2010 to 2015, the rate of Looked After Children (per 10,000 children aged under 18) increased by 42.9% in Southampton compared to a 5.3% increase nationally (England average). Since 2017, statistical neighbour rates of children in care have been rising, as has the South East region and England averages. During this time, the Southampton rate was reducing, until 2021/22 when a group of children at risk needed to be accommodated (following on from improvement work and changes in leadership) pushing the rate to 114. Since then, extensive work on reunifications and keeping children safe within their families has resulted in the rate steadily reducing, returning to 102. The Family Safeguarding Model is expected to achieve 40 less children a year coming into care, which is in line with the National Framework 2023 principle that children should remain within their families where safe to do so.

Rate of Children in our Care per 10,000 (0-17) children

Measure	2015	2016	2017	2018	2019	2020	2021	2022	December 2023
Southampton	120	120	108	104	95	95	96	114	102
Statistical Neighbour	84.4	83.7	74.3	90.2	95.5	97.1	99.7	100.9	
South East	49	51	51	51	52	53	53	56	
England	60	60	62	64	65	67	67	70	



The number of children placed within our own foster care households has decreased over 2023 from 220 in December 2022, to 205 in December 2023. This is in line with the reduction in children in our care over that period. In the same period, children placed in Independent Fostering Agency (IFA) placements, has reduced from 157 to 133. They remain two or three times more expensive than our own placements. Our recruitment of foster carers has improved with successful campaign towards the end of 2023 and several assessments are currently underway. Our enquiries and conversions to application are now ahead of our close neighbours.

The number of SCC children living in children’s homes has steadily reduced from 43 in April 2024 to 35 as of 8 February 2024. The number of these placements peaked at 54 in October 2021. The reduction is due to a focused piece of work enabling children living in a children’s home, whose care plan is to live in a family placement, to move to their own extended family or to a foster placement. This is underpinned by a strong reunification framework, promoting comprehensive assessments of birth parents and extended family members, and enabling the safe reunification of children who need and wish to live within their own families. Active care planning is underway for a further six children to leave residential care in a planned way once a suitable match is identified. The national shortage of IFA placements creates challenges when trying to create positive move on plans for this cohort.

During 2024/25, the local authority has firm plans to open two residential units, enabling us to keep children who need a residential care placement close, and ensuring that they remain connected to their friends, families and school.

The overall number of children in care living in residential placements has increased from 73 to 77 over the course of 2023/24. This DfE definition includes a range of placements including children’s homes and semi-independent accommodation for 16/17-year-olds.

Physical-environmental factors

Housing

In Southampton 29% of residents live in privately rented accommodation, which is higher than the England average of 17%. There are around 6,500 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 16,304 managed by the council with 8,172 households on its housing waiting list. In the last 12 months, the number of decent homes has remained broadly similar at 54.3% of the housing stock. Sector-wide restrictions in the supply chain and labour market are affecting the delivery of several planned works project lines. A recovery programme is underway to improve the delivery of planned works projects, this includes procurement and improved funding flexibility. The most up to date housing target for Southampton has been

calculated during preparation of the Council's new Local Plan, 'Southampton City Vision'. The target is set out in the Draft Plan with Options which is available to view here: Southampton City Vision - documents library. Following the Government's standard methodology and applying the 35% uplift, as required for the top 20 cities and urban centres, the target for Southampton is to deliver approximately 26,500 new homes between 2022 and 2040. The Council recognises that the number of new affordable homes available needs to be increased and will be coming forward with proposals to address this in partnership with Housing Associations across the city.

Wider Partnership Working

Better Care Fund

The Better Care Fund commenced 1 April 2015 and is framed within a formal contract with Hampshire and Isle of Wight Integrated Care Board (ICB) for a pooled budget under Section 75 of the National Health Service Act 2006. The purpose of the Fund is to ensure closer integration between health and social care services.

The Southampton Better Care Fund pools funding for a significantly greater number of services than the minimum required which is consistent with the ambition locally to integrate and pool resources at a scale to significantly transform its health and care services. The Southampton Better Care Plan has identified key areas where greater integration between Health and Social Care will make system wide efficiencies that will benefit both organisations. For the Council these efficiencies have been included within the medium-term financial forecast. In 2024/25 the provisional combined Better Care Fund budget is £161.6M, comprising £97.8M for the ICB and £63.8M for the Council.

Strategic Contracts

The Council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitments. These include PFI contracts for schools and street lighting, a highways services partnership and a long term waste disposal contract. Whilst these contracts are actively monitored and performance managed to ensure they deliver value for money, they are often difficult to renegotiate to reduce expenditure. Nevertheless, the Council has already realised savings in previous financial years. Further savings opportunities relating to these contracts are being actively explored. The financial health of our major contractors is kept under review as part of the monitoring arrangements. Many of these major contracts expire in the years 2025/26 and the approach to future delivery and models are included in the Strategic Procurement Programme.

National and Local Policy

Cost of Living

Since late 2021, there has been a decline in 'real' income (adjusted for inflation) experienced in the UK which is referred to as the 'cost of living crisis'. Although the cost of living affects all residents, it is expected that more deprived households are experiencing greater hardship. In response to the crisis Southampton City Council has taken a city wide partnership approach; supporting and promoting the work of agencies and groups across the City. The council's contribution has been coordinated through a cost of living operational group which was set up in Autumn 2022 and chaired by the Director of Public Health, previously meeting monthly and focused action across four separate, but connected workstreams, namely: communication and community engagement, working together, calls to action and data intelligence and evidence. Officers across council services attend. The council's cost-of-living residents survey undertaken in Spring 2023 (completed by over 4,000 residents) helped agencies better target resources to the most in need. Activities have been delivered on food, including cook and eat sessions, warmth, fuel and energy. Southampton City Council's libraries have been providing warm spaces and benefits including supporting people to pay what they can, and providing advice on money management and mental health. The operational group now meets every other month and ensures delivery through council business as usual rather than a previous emergency response approach. Residents can receive the latest information and links to relevant sites here: [Getting help with the cost of living \(southampton.gov.uk\)](#). Cost-of-living leaflets were produced earlier this year and are still in circulation within communities and shared at community events, along with translated versions.

Health Determinants Research Collaboration

The National Institute for Health and Care Research (NIHR) has awarded £5M over 5 years to Southampton City Council, in partnership with the University of Southampton, Solent University and Southampton Voluntary Services (SVS), to establish a Health Determinants Research Collaboration (HDRC) in the city.

HDRCs are innovative local government and academic partnerships intended to boost research capacity and capability in local authorities. HDRCs aim to embed a culture of evidence-based decision-making on policies and programmes which impact health and health inequalities. Southampton becomes one of 11 local authority areas to establish a HDRC in January 2024, this is in addition to 13 HDRCs that were funded in 2022/23. The HDRC in Southampton will be hosted by the council, working with the universities and SVS to combine expertise on the wider determinants of health. The vision of Southampton's HDRC is to reduce health inequalities by working with communities to create a research evidence-based environment and culture in the city council.

Local Enterprise Partnership (LEP) Integration

On the 4 August 2023, the Department for Levelling Up, Housing and Communities sent a letter to LEP Chairs, Combined Authority Mayors and Local Authority Leaders outlining that from April 2024, the Government's funding of LEPs will cease. The Government will instead support upper tier local authorities to deliver the functions currently delivered by LEPs. This empowers democratically elected local leaders to work with the private sector to support local businesses and drive local economic growth. Upper tier local authorities will be provided with revenue funding to deliver the functions previously delivered by LEPs – namely business representation, local economic planning, and the delivery of Government programmes where directed. This core funding is separate to any programme funding that may be provided to support the delivery of, for example, Growth Hubs or Careers Hubs.

On the 16 October 2023, the Government distributed a Local Authority / LEP Integration plan template to be completed by the end of November 2023. In collaboration and agreement with Portsmouth City Council, Isle of Wight Council and the Solent LEP, an integration plan was submitted to continue LEP functions in the Solent region. Separately, Hampshire County Council submitted an Integration Plan for the Hampshire County area. Eligibility for funding is conditional on LEP functions being delivered over sensible functional economic areas or whole county geographies. Multiple upper tier local authorities can work together over a single functional economic area, as is proposed between Southampton, Portsmouth, and the Isle of Wight. Further talks and concrete arrangements will need to be confirmed by Southampton City Council and the other upper tiered authorities of the Solent prior to April 2024.

New Financial Policies

Fees & Charges Policy

The following set of principles regarding fees and charges were approved by Full Council in July 2023:

- The council's discretionary fees and charges (and concessions against these charges) will be set in accordance with the following general principles:
 - Fees and charges will, in general, be increased annually in line with the Consumer Price Index (CPI). Normal expectation would be to apply the September CPI, unless there are exceptional reasons.
 - The council will seek to recover relevant full costs in setting its charges.
- All charges will therefore increase annually by the Consumer Price Index (CPI) unless there are exceptional reasons not to do so. A business case is required for any area considered an exception to this inflationary increase where there is no planned increase, or the increase proposed is below CPI. This would be considered by Cabinet or Cabinet Member in consultation with the Executive Director Corporate Services and will include the application of subsidies or concessions which will result in a reduction in the recovery of income. Market forces may dictate swift changes to fees and charges and to ensure commercial flexibility, where an increase above CPI is applied, a business case would not be required.
- Reasonable notice should be given to service users and any necessary consultation, where applicable, will also be undertaken before a final decision in line with the council's consultation policy.

- A full schedule of fees and charges, both statutory and discretionary, will be included with the annual budget for review by Full council at its budget setting meeting. This will ensure a transparent, consistent and centralised approach to the annual review and approval of fees and charges.

Charges related to Adults Social Care will have a separate policy, due to the more complex nature of the charges which assess income and benefit entitlement. However, as a principle, when it comes to the annual uplift, they will be looked at from a similar viewpoint i.e. linking an expected annual increase to increases in relevant care provider costs and uprating of state benefits.

A schedule of fees and charges, which have been updated in accordance with the policy, is available as a Members' Room Document to the main budget report.

Debt Policies and Debt Management

The council has drafted a corporate debt policy and combined council tax and business rates recovery policy (annexes 6 and 7). The aim of the policies is to deliver a consistent approach across the council to dealing with debt and the recovery of arrears. This includes trying to stop arrears from happening, breaking the cycle of debt and ensuring all debts owed to the council are recovered; whilst ensuring that citizens in financial difficulties are provided with appropriate assistance and individual circumstances are considered when taking recovery action.

The council's Projects and Change Team is developing a new target operating model for debt recovery across the authority. This will centralise the management of debt, enabling a clearer focus on this activity and improving the customer experience by taking a holistic view of those residents and business who are in multiple debt. This will reduce the 'touch points' for those customers who currently may be in communication with more than one department about their circumstances. Prevention will play a key part going forwards, for example, increasing the options for customers to pay in advance thus avoiding debt happening in the first place.

In parallel with this, the council is also improving debt reporting through the introduction of a monthly report (aimed at Director level and above) that provides detail of aged debt by Directorate and Cabinet Member portfolio. Prior to this, information was provided at an overall level and not broken down into this level of detail. This increased reporting has improved transparency. This report is the first phase as information is held in more than one system. The monthly report is created using details from one of the main council systems. Discussions are ongoing about how to add information held in other systems to this one report, to reduce separate reporting.

Revenue Reserves Policy

Revenue reserves provide cover for risks and unforeseen events and form a key part of the council's financial resilience and maintaining its financial sustainability. In response to the issues raised regarding their use in recent years a policy has been developed which more clearly sets out the purpose of each reserve, how it can be used, the basis for assessing adequacy of reserves and the approach being taken to replenish reserves. The policy is set out in annex 8.

National economic and public expenditure plans

The MTFS is set within the context of national economic and public expenditure plans, and national legislation setting out the council's ability to borrow and to raise income from council tax and other sources.

Autumn Statement 2023

The government published its Autumn Statement on 23 November 2023, setting out spending plans for 2024/25 and guidelines for the medium term. In the "Autumn Statement for Growth" the Chancellor set out the government's priorities of "backing British business" and "making work pay". The key points relevant to local government were:

- Reform system to allow Local authorities to recover full cost of business planning applications if they make quick decisions but will have to return fees if timelines not achieved.
- £110 million is being provided through the Local Nutrient Mitigation Fund to support Local Planning Authorities to deliver schemes to offset nutrient pollution that will allow additional developments.
- £450 million announced for the Local Authority Housing Fund (Round 3).
- New permitted development right to turn a single dwelling into two flats. This will be implemented in 2024 following consultation early in the New Year.
- End date for tax relief for Freeports extended by 5 years. We expect this to apply to Solent Freeport. The Department for Levelling Up, Housing & Communities (DLUHC) will publish a Freeports Delivery Roadmap in December, outlining the steps the Government will take to ensure Freeports are best able to capitalise on the extensions announced.
- Full details of [departmental allocations](#) are listed here.
- Guidance for the Local Government Pension Scheme (LGPS) will be revised to implement a 10% allocation ambition for investments in private equity. The government is also establishing a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50 billion of assets under management.
- DLUHC funding simplification plan announced in 2023 will come into force from January 2024 to simplify local government funding.
- No further funding increases for local government beyond those that have been previously announced.
- The 40 basis point discounted Public Works Loan Board (PWLB) rate for Housing Revenue Account borrowing has been extended for a further year to June 2025.
- Over the medium term, planned departmental resource spending will increase by 1% a year on average in real terms, which implies unprotected departments such as local government would face real terms cuts.

Policies directly affecting residents included:

- Universal Credit and other working age benefits will be increased by 6.7% in line with September 2023's inflation figure.
- Local housing allowance rates will be unfrozen and increased to the 30th percentile of local market rents from April 2024.
- From April 2024 the government will increase the full new state pension by 8.5% to £221.20 a week, worth up to £900 more a year.
- Employee National Insurance contributions cut from 12% to 10% from 6 January 2024.
- Back to work process and work capability assessment to be reformed to encourage disabled people into work.
- National Living Wage increased by 9.8% in line with low pay commissions recommendation to £11.44.

Business rates measures:

- Freeze of small business rates multiplier for 2024/25 and extension of current 75% Retail, Hospitality and Leisure relief for another year to support independent shops and pubs – local authorities will be fully compensated for the loss of income. Standard business rates multiplier to increase by inflation.

Devolution of powers to local government:

- Level 2 devolution powers will be offered to councils that cover a functional economic or whole county area, and meet relevant criteria set out in the Levelling Up White Paper, where there is local consent.
- A new level 4 framework has been published for extending devolution in Level 3 Mayoral Combined Authorities. This provides new powers that will be drawn down which are based on the trailblazer deals negotiated with Manchester and West Midlands CAs.

Local Government Finance Policy Statement 2024/25

On 5 December 2023 the government published a policy statement outlining its intentions for the 2024/25 local government finance settlement. This builds on the principles set out in the policy statement issued in December 2022. The main features of the policy statement relevant to the city council are:

- 2.99% maximum increase in “Core” Band D council tax and 2% maximum increase in adult social care (ASC) precept.
- Baseline Funding Level (BFL) and Revenue Support Grant (RSG) - local authorities’ BFL allocations will be uplifted by the increase in the standard business rates multiplier (6.62%), apportioned using proxy data from the Valuation Office Agency. Compensation for freezing the small business rates multiplier will come through S31 grant. Further detail on how the settlement will be changed to accommodate the decoupling of the business rates multipliers will be released prior to the provisional local government finance settlement. RSG allocations will be uplifted in line with the Consumer Price Index.
- Social care grants – increases in social care grants are in line with the 2022 Autumn Statement announcements. In addition, £205 million for the second year of the Market Sustainability and Improvement Fund (MSIF) Workforce Fund announced in July 2023 will be rolled into the existing MSIF in 2024/25. There will continue to be grant conditions placed on these grants.
- 3% Funding Guarantee - this was introduced in 2023/24 to ensure every authority had a 3% increase in government funding (change in Core Spending Power excluding Band D) and it will continue into 2024/25.
- Services Grant – This funding was first introduced in 2021/22 and will continue to operate in 2024/25 but with a reduced overall amount.
- New Homes Bonus (NHB) – This scheme had been expected to cease, however it will continue in 2024/25 but with no future legacy payments.
- The statutory override for the Dedicated Schools Grant will continue until 31 March 2026.
- Indicative 2024/25 Public Health Grant allocations were published alongside the policy statement.

Local Government Finance Settlement 2024/25

The 2024/25 provisional settlement was announced on 18 December 2023, providing details of how resources announced in the November 2022 Autumn Statement, reconfirmed in the 2023 Autumn Statement, have been allocated for 2024/25. The key principles that were set out in the policy statement issued on 5 December 2023 remain unchanged in the settlement announcement. The finance settlement is for 1 year only and there are no indications regarding resources for future years. Headlines from the settlement are as follows:

- Core Spending Power – assuming authorities increase their Band D council tax by the maximum allowed, CSP will increase by £3.9Bn (£2Bn of which is from council tax increases), 6.5% on average in 2024/25.
- Council tax - 2.99% maximum increase in the “core” council tax for 2024/25 and a 2% adult social care (ASC) precept.
- Business rates – the freezing of the small business rates multiplier announced in the 2023 Autumn Statement is fully funded with compensation to authorities based on a Consumer Price Index (CPI) uplift. Updates to adjustments to tariffs/top-ups for the 2023 Business Rates Revaluation have been made to

reflect the final rating list as at 1 April 2023 and 2022/23 business rates outturn, in line with the methodology consulted upon ahead of last year's finance settlement.

- Revenue Support Grant (RSG) - allocations have been uplifted in line with the September 2023 Consumer Price Index (6.62%).
- Social Care Grant – An additional £532M of additional funding has been allocated based on the Adult Relative Needs Formula (RNF) and a further £160M has been allocated to partly equalise for the ASC precept (i.e. to partly allow for the varying ability of authorities to raise additional council tax through the precept because of the size of their tax base). This grant is for adults and children's social care.
- Adult Social Care grants – Additional resources for 2024/25 for adult social care were announced in the 2022 Autumn Statement. The Adult Social Care Discharge Fund has been increased by £200M compared to 2023/24 and the ASC Market Sustainability and Improvement Fund by £283M. An additional £205M has been rolled into the ASC Market Sustainability and Improvement Fund for the second year of the Workforce Fund grant announced in July 2023 (£365M for 2023/24 and £205M for 2024/25). These grants are ring-fenced and come with conditions regarding performance and use of the funding to support improvement against the government's objectives.
- Services Grant – This has reduced by £406M from £483M in 2023/24 to £77M in 2024/25. The reduction is to fund grant increases elsewhere within the settlement and a small proportion has been held back as a contingency. This reduction was the main surprise in the settlement - there were indications in the policy statement that ministers were considering reducing the grant but nothing was made explicit.
- New Homes Bonus (NHB) – this will continue for at least one more year, but with no legacy payments i.e. payments will not continue rewarding previous years' growth in housing numbers.
- 3% Funding Guarantee – This grant was introduced in 2023/24 to ensure every authority has an increase in Core Spending Power of at least 3% (before council tax). The grant has increased by £64M from £133M in 2023/24 to £197M in 2024/25. This mainly benefits councils with no social care responsibilities.
- Exceptional Financial Support - where councils need additional support from government as part of the Exceptional Financial Support framework, the government will consider representations from councils on council tax provision.
- Flexible Capital Receipts – the ability to use capital receipts to fund revenue costs of projects to reduce costs and improve efficiency has been extended to March 2030.

The provisional settlement was subject to a consultation period which ended on 15 January 2024. In response to the consultation the government announced £600M of additional funding on 24 January 2024 – £500M additional Social Care Grant and £100M to increase the funding guarantee from 3% to 4%, increase Rural Services Delivery Grant by £15M and some other smaller changes. In announcing the additional funding on 24 January 2024, the government also set out its requirement for local authorities to produce productivity plans showing how they will improve service performance and reduce wasteful expenditure. The final settlement was published on 5 February 2024, ahead of the House of Commons debate on 7 February 2024, confirming the revised allocations.

For Southampton the impact of the settlement in terms of grant funding is included in the council resources outlined in the Local Financial Forecast.

Local Authority Capital Flexibilities

Alongside the provisional local government finance settlement, on 18 December 2023 DLUHC announced the government would engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach government. A call for views on these capital flexibilities opened on 19 December 2023 and closed on 31 January 2024. At a high level the options can be categorised as:

- Supporting invest-to-save activity – increasing the flexibilities to use capital receipts and borrowing to finance the costs of transformation and efficiency projects.

- Local management of budget pressures – providing greater flexibilities on the use of capital receipts, including the scope to meet general budget pressures, and potential additional flexibilities where the proceeds relate to the sale of investment properties.

Funding Simplification Doctrine

On 10 January 2024 DLUHC published its Funding Simplification Doctrine, part of the government's plans to simplify local government funding.

The doctrine covers all new funds made available to local authorities by central government and requires all government departments developing new funding within this scope to follow the doctrine's guidance. Most significantly this includes the encouragement of allocative approaches, except where competitive funds make sense. The doctrine will promote 4 principles:

- Building from existing programmes: where practicable, new investment should be delivered through an existing funding programme rather than creating a new funding programme.
- Selecting a distribution methodology that best achieves funding objectives: if an activity cannot be delivered through an existing programme, consideration should be given to the use of allocation. The option that is best placed to target a specific type of funding or set of desired outcomes and would deliver better value for money should be chosen.
- Testing: prior to deployment of any new funding stream, government departments should consider feedback from a selection of councils and/or local authority associations.
- Data: in any case, requirements for local authorities to provide data to government departments should be aligned to existing requirements where possible. Departments should work with local authorities to design a monitoring regime that provides accountability, insights and enables robust evaluations without creating needless bureaucracy.

Financial outlook for 2025/26 and after

The 2024/25 local government finance settlement was for 1 year only, with no indication of resources for future years. The government's spending plans published in the 2023 Autumn Statement suggest that prospects for local government finance settlements in the next spending review period look very tight. There is no change in the overall planned increase in Resource Departmental Expenditure of 1% in real terms. This is likely to mean real-terms cuts for unprotected services, including most of local government. The Chancellor announced a target of 0.5% annual productivity improvements for the public sector in the Autumn Statement, which may provide justification for lower funding allocations in future years. In the December 2022 local government finance policy statement the government confirmed that changes to the local government finance system and a reset of locally retained business rates would not be implemented in the lifetime of this parliament. In addition, a 2-year delay to the adult social care charging reforms was announced in the 2022 Autumn Statement and the funding that had been set aside for this was repurposed. Any decisions on the funding to be made available for implementing the reforms was also deferred to the next parliament. It remains to be seen whether the reforms will go ahead and, if so, whether government funding will be sufficient to meet the costs. Assumptions have been made in the local financial forecast about future finance settlements and a business rates reset. The local financial forecast does not include any impact of a change to the local government finance system for needs and resources and the adult social care charging reforms are assumed to be cost neutral pending further details. Pay and price inflation, higher interest rates and major demand pressures, particularly across adults and children's social care, remain key factors in the sustainability of local government finance.

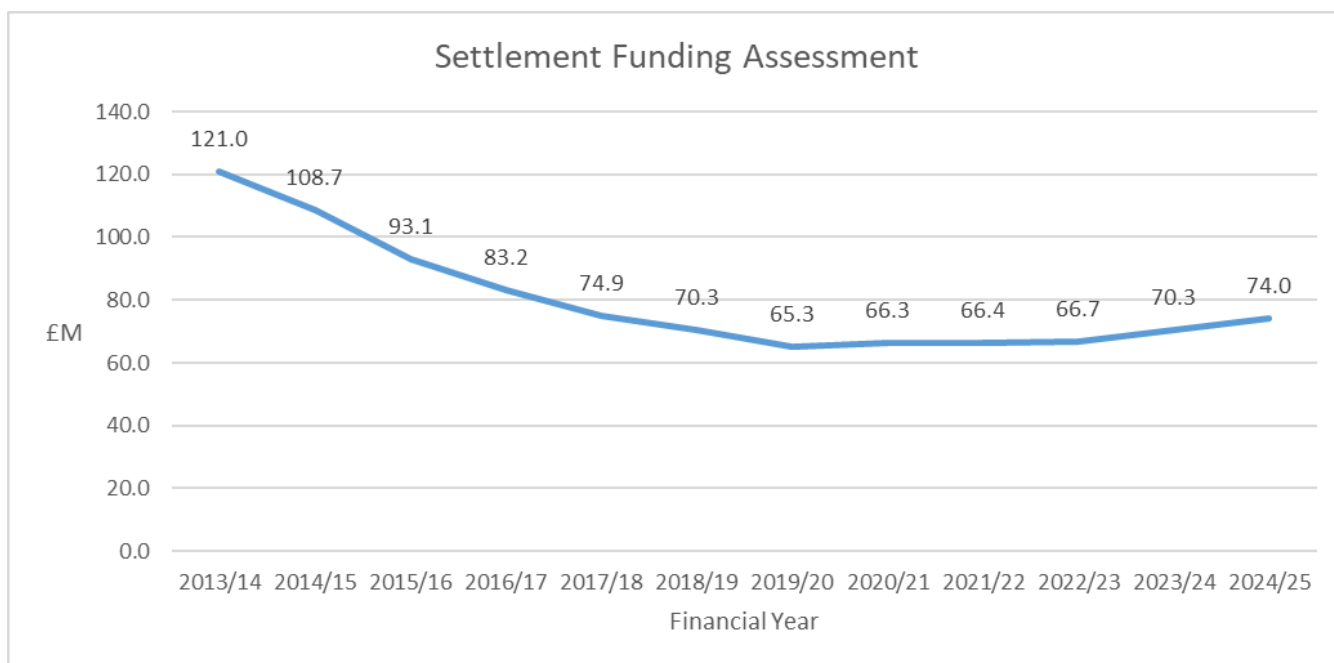
Local Financial Forecast

Financial trends

Settlement Funding Assessment for Southampton City Council

The settlement funding assessment is the Government's measure of funding required by a local authority to meet net revenue expenditure after allowing for income generated from council tax. It is used to distribute revenue support grant to local authorities. In line with the Government's plans in the previous decade to reduce public sector spending, the settlement funding assessment was reduced over a number of years to 2019/20, and hence the amount of revenue support grant distributed to local authorities. For 2024/25 there has been an increase in the SFA from the inflationary uplift to the business rates baseline funding level for the share relating to the standard multiplier and the increase in revenue support grant in line with the consumer price index. The increase in SFA is below that of core spending power, with more resources being allocated via specific grants rather than being applied to the SFA. The inflationary uplifts applied since 2020/21 don't go very far in restoring the reductions made in previous years. The chart below shows the settlement funding assessment for the Council since 2013/14 when the current local government finance system was introduced.

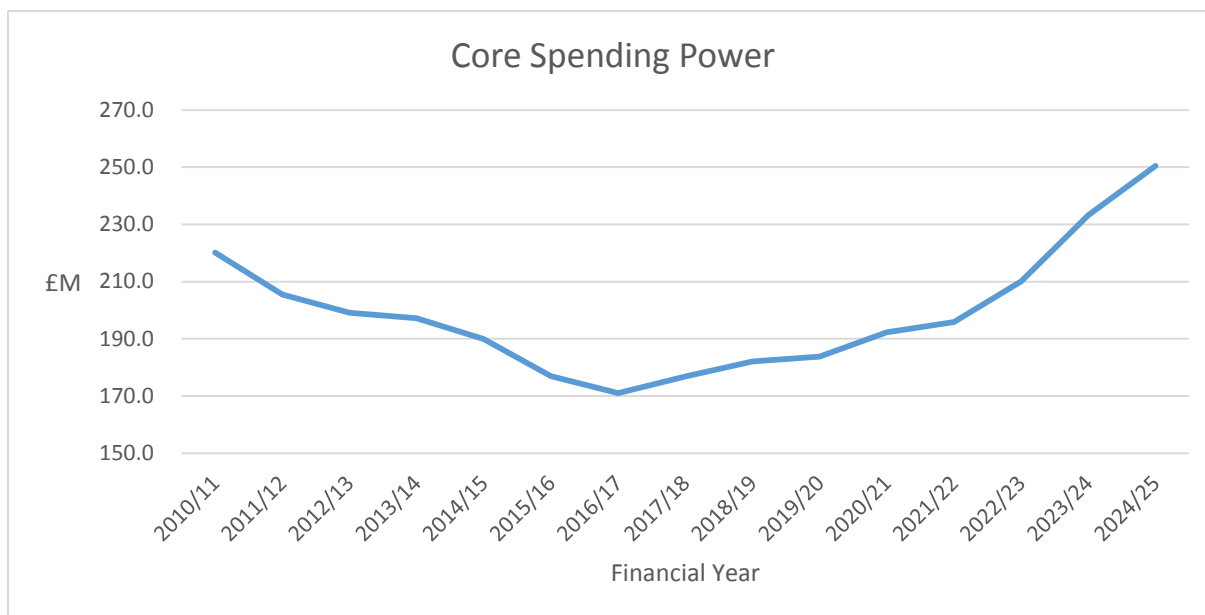
CHART: SETTLEMENT FUNDING ASSESSMENT



Core Spending Power for Southampton City Council

Core Spending Power is the government's measure of resources available to local authorities to fund service delivery, taking into account the Settlement Funding Assessment, certain government grants and council tax. Council tax charges are assumed to increase by the maximum allowable within the referendum limits. The Council's Core Spending Power for 2024/25 is £250.6M, an increase of £17.3M compared with the adjusted 2023/24 figure (7.4%). Analysis by the Special Interest Group of Metropolitan Authorities (SIGOMA) using adjusted Core Spending Power data (so that previous years are on a comparable basis to 2024/25) shows that in cash terms the resources available to the council only went above the 2010/11 level in 2023/24. The 14-year cumulative cash increase since 2010/11 is £24.8M or 10.6%, compared with an England average of 15.7%. In real terms the council has seen a £68.2M or 21.4% reduction in resources since 2010/11, compared with an England average of an 18.1% reduction.

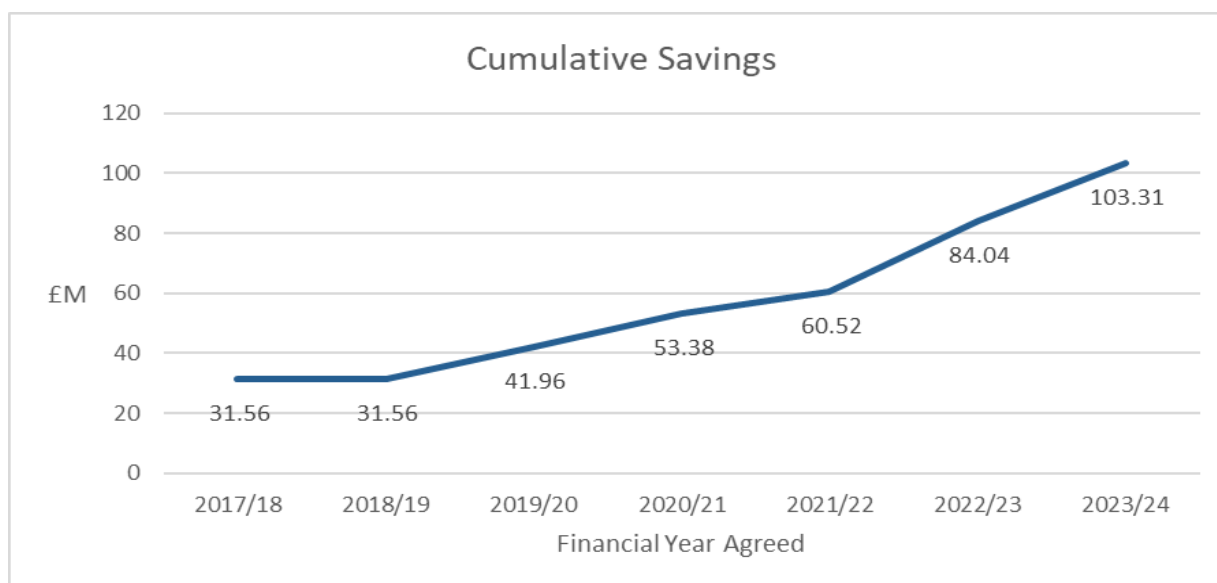
CHART: CORE SPENDING POWER



Savings History for Southampton City Council

In response to reduced government funding and service expenditure pressures, the council has agreed some £103M of General Fund savings over the last 7 years (see following chart), which comes on top of substantial savings since government austerity measures were introduced.

CHART: SAVINGS HISTORY



Against a challenging economic backdrop and in the face of high demand for services, the council has been unable to identify sufficient savings to achieve a balanced budget for 2024/25 without the need for government support. A transformation programme is being developed to deliver the level of savings now required to achieve financial sustainability.

Council resources 2023/24 to 2027/28

The table below summarises the Council's key funding assumptions for the MTFs. Percentages indicate forecast year-on-year changes. Estimates of general funding are shown in the Medium Term Financial Forecast at Annex 1).

TABLE 1: SUMMARY OF KEY FUNDING ASSUMPTIONS

2023/24	Item	2024/25	2025/26	2026/27	2027/28
£1,726.47	Increase in Core Council Tax Charge	2.99%	2.99%	2.99%	2.99%
£219.20	Increase in Adult Social Care Precept	2.00%	0.00%	0.00%	0.00%
67,057	Council Tax Base (No. of Band D equivalents)	66,989	67,725	67,672	67,543
49.9p	Increase in Small Business Rates Multiplier	0.0%	3.2%	2.1%	2.0%
51.2p	Increase in Standard Business Rates Multiplier	6.6%	3.2%	2.1%	2.0%
£12.88M	Change in Revenue Support Grant	6.6%	-14.0%	-11.1%	-12.1%
£5.36M	Change in Top Up Grant*	13.7%	3.2%	-30.6%	2.0%
£0.21M	Change in New Homes Bonus	-83.0%	-100.0%	0.00%	0.00%
£21.82M	Change in Other Non-Ringfenced Grants (excluding business rates compensation grants)	17.9%	-0.3%	-0.3%	-0.1%

*A technical adjustment has been made to Top Up Grant for 2024/25 for the 2023 rates revaluation

Council Tax and Adult Social Care Precept

In the local government finance settlement local authorities were given the ability to apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for 2024/25 without the need for a local referendum. As set out in Table 1 above, increases are being applied in 2024/25 in line with those referendum limits. The government has given no indication of council tax referendum limits that will apply beyond 2024/25, which will be a decision for the next parliament. For planning purposes, the working assumption for 2025/26 and future years is a 2.99% increase in the core council tax and no increase in the adult social care precept. The council tax base that has been assumed for each financial year is detailed in Table 1. For 2024/25 onwards the collection rate has been reduced from 98.5% to 98.25% to reflect more recent experience in collecting council tax, hence a small reduction in the tax base for 2024/25 compared with 2023/24. The tax base includes estimates for additional premiums for properties that have been empty for more than 12 months (from 2024/25) and second homes (from 2025/26), the effect of which is expected to reduce over time as behaviours change. The 2021/22 tax base assumed an increase in the number of local council tax support claimants due to the pandemic, however this was not as severe as anticipated, hence there was a 'bounce back' effect in 2022/23, with an increase in the estimated collection rate giving a further boost to the 2022/23 tax base, as shown in the chart below.

CHART: CHANGE IN COUNCIL TAX BASE

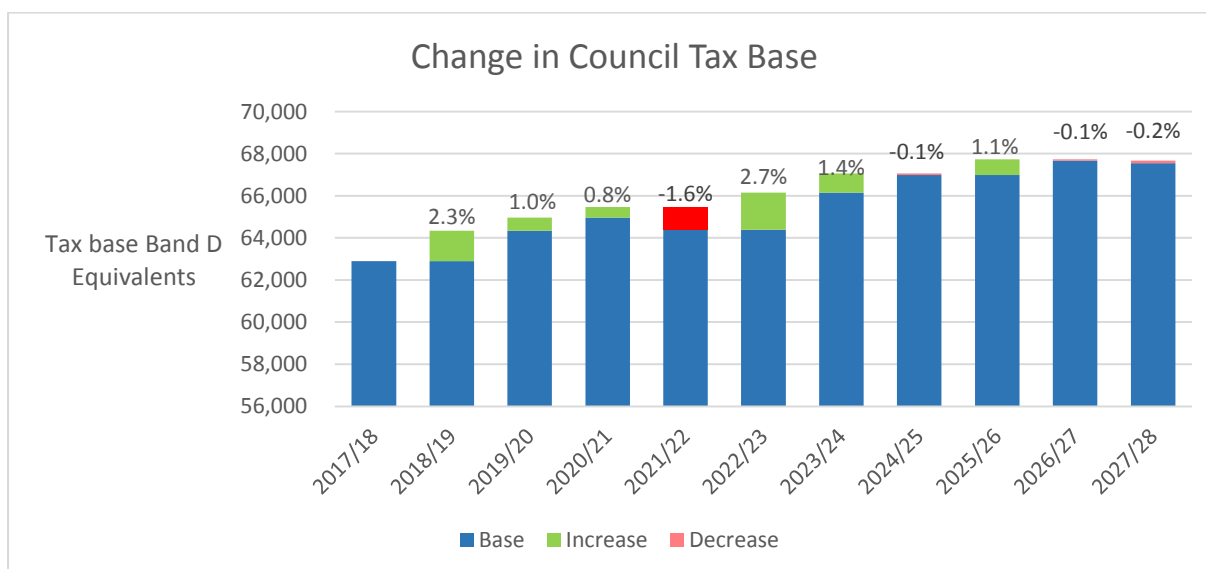


Table 2 below shows the council tax and adult social care precept income that has been included in the medium term financial forecast at Annex 1.

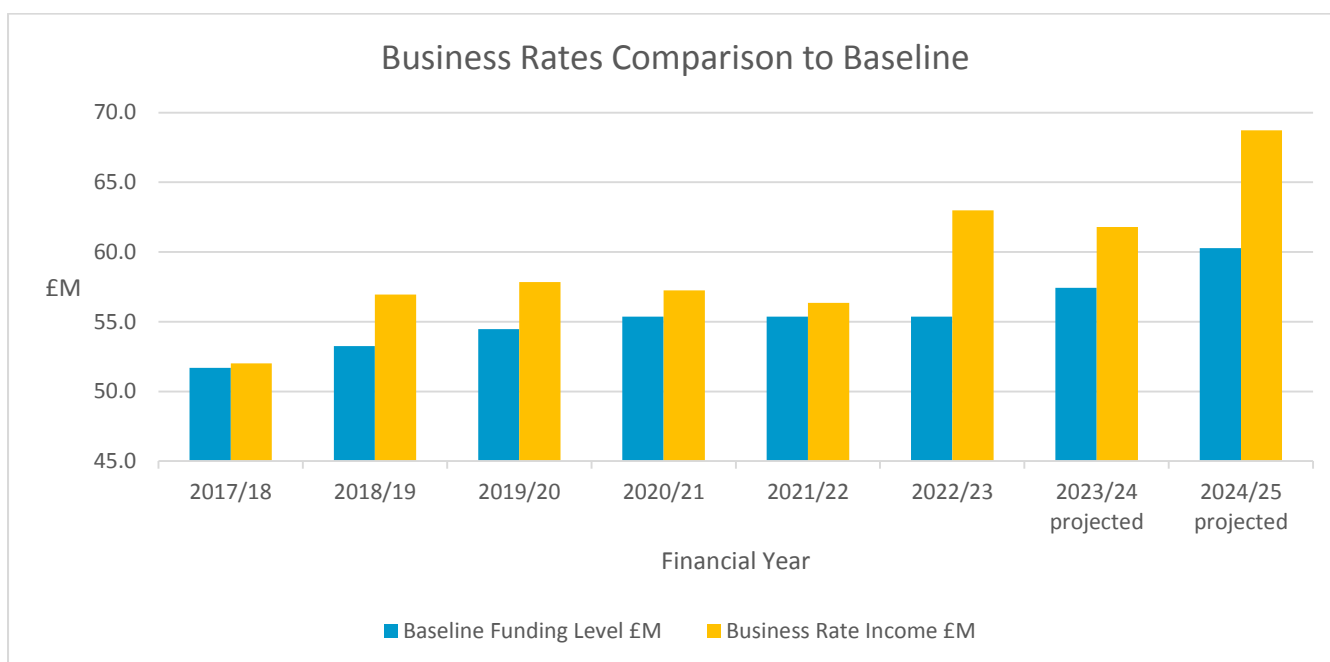
TABLE 2 COUNCIL TAX INCOME

	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Council Tax – General Precept	104.43	109.25	112.94	116.61
Council Tax – Adult Social Care Precept	17.00	17.18	17.17	17.14
Total Council Tax Income	121.43	126.43	130.11	133.75

Business Rates

Under the government's funding arrangements for local authorities the business rate retention scheme means councils retain a proportion of their business rates, including growth, but also take the risk of reductions in business rates during times of economic downturn, although there are 'safety net' arrangements in place to protect against very large reductions. Local authorities are compensated by way of S31 grant for reductions to business rates arising from changes in government policy since the retention scheme was introduced e.g. additional reliefs and a lower uplift or freezing of the business rates multiplier. The Non-Domestic Rating Act 2023 gave power to ministers to decouple the small and standard business rate multipliers. The standard multiplier was previously derived by adding a supplement to the small business rates multiplier, now the multipliers can be set independently. For 2024/25 the government has frozen the small business rates multiplier and increased the standard multiplier by 6.62% in line with the increase in the Consumer Price Index (CPI) for September 2023. Some technical changes have been made to the business rates retention scheme as a consequence of decoupling the multipliers. The MTFs assumes that both multipliers will increase with inflation from 2025/26 onwards as set out in Table 1 above. The Non-Domestic Rating Act 2023 allows for more frequent updates of rateable values, which will occur every 3 years rather than every 5 years, beginning in 2026. The MTFs assumes the impact of the revaluations on the council's income will be neutral, on the assumption that the Top-Up Grant (see later) will be adjusted as with previous revaluations. The graph below shows the growth in business rates income (including government grant in lieu of rates) above the Government's baseline funding level since 2017. The level of business rates income is affected by successful appeals and other changes to rateable values as well as unfunded reliefs.

CHART: BUSINESS RATES COMPARISON TO BASELINE



Solent Freeport

The government approved the Solent Freeport in November 2022, for which Southampton has one of the designated tax sites. Freeport status means that normal tax and customs rules do not apply and give varying forms of tariff flexibility. Tax measures and planning concessions at the designated tax sites should help to incentivise private business investment. The MTFS assumes that any growth in business rates in the designated tax site will be pooled for use as agreed by the Freeport.

Government Grants

Revenue Support Grant (RSG)

Historically a major source of funding for the council has been the Revenue Support Grant (RSG), however since the austerity measures in the previous decade were introduced this grant has been reduced drastically with the council suffering an 85% reduction between 2013/14 (when the Business Rates Retention scheme came in) and 2019/20. Since 2020/21 the government has applied inflationary uplifts to RSG and for 2024/25 the council's grant has increased by £0.85M in line with the September 2023 CPI increase (6.6%). The MTFS assumes that the settlement funding assessment (SFA) for 2025/26 onwards will remain at the cash amount for 2024/25, as indicated by the spending plans in the government's 2023 Autumn Statement. SFA comprises RSG and business rates baseline funding and as the latter is assumed to increase with inflation RSG is expected to reduce, as shown in table 1. The government has stated that it will not make any changes to how the local government finance system during the remaining life of this parliament. Any updates to needs and resources assessments will not happen before 2025/26 and it is more likely to be 2026/27 at the earliest. Given this uncertainty, the MTFS does not reflect any potential impact of an update to the needs and resources assessments.

Top-Up Grant

As part of the business rates retention scheme the council receives Top-Up Grant for the difference between its baseline funding level (the element of the settlement funding assessment relating to business rates) and its business rates baseline. In 2023/24 the council's Top-Up Grant was adjusted for the 2023 business rates revaluation so that, as far as practicably possible, the council was no better or worse off following the revaluation exercise. This adjustment has been updated for 2024/25 based on 2022/23 outturn data. The council's Top-Up Grant for 2024/25 is £6.10M. Business rates baselines have not been reset since the scheme was introduced in 2013/14. A baseline reset would have a redistributive effect across local authorities and consequences for the Top-Up Grant receivable. The MTFS assumes a reset will occur in 2026/27 and that the council's Top-Up Grant will reduce as a result.

New Homes Bonus (NHB)

The New Homes Bonus scheme rewards housing growth and empty properties being brought back into use. The scheme was expected to have ended a few years ago, as the government consulted on its replacement in early 2021. However, the government decided to roll over the scheme for yet another year, with one-off allocations for 2024/25. This grant is being funded via a 'top-slice' of £291M nationally from the resources allocated to local authorities. The council's allocation for 2024/25 is only £0.04M, relating to the element for bringing empty properties back into use, as it didn't achieve the threshold for receiving a growth allocation. It remains to be seen if the NHB scheme will be replaced.

Public Health Grant

The Public Health Grant continues to be a ring-fenced grant to local authorities in 2024/25. Final allocations for 2024/25 were published on 5 February 2024. The Council's allocations since 2018/19 are outlined in Table 3 below.

TABLE 3 PUBLIC HEALTH GRANT

	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Public Health Grant allocations	16.90	16.52	17.17	17.39	17.88	18.46	18.85

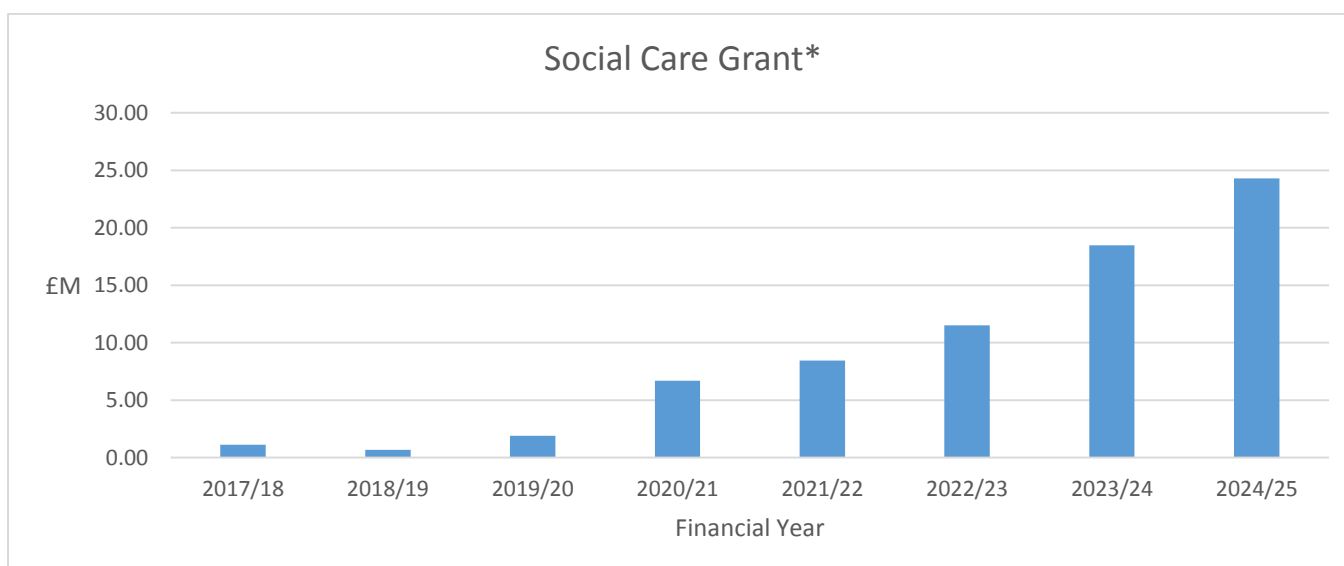
Other Grants

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

In the 2022 Autumn Statement the government announced £1.7Bn of ring-fenced grant funding for adult social care for 2024/25. In the December 2023 local government finance update the government confirmed an additional £205M for the second year of the Market Sustainability and Improvement Fund (MSIF) Workforce Fund announced in July 2023 would be rolled into the existing MSIF. Allocations to individual local authorities for 2024/25 for the funding were notified in the local government finance settlement, with the council receiving £2.50M of Adult Social Care Discharge Fund and £4.85M of ASC Market Sustainability and Improvement Fund. The Improved Better Care Fund grant allocation for 2024/25 is £10.70M, the same as for both 2023/24 and 2022/23.

The council's Social Care Grant allocation for 2024/25 is £24.30M, including its share of the extra £500M announced on 24 January 2024. Up until 2022/23 the Social Care Grant was unringfenced, however from 2023/24 onwards the government has stipulated that it can only be used to meet spending in adults and children's social care. As the grant can be used across both areas of social care it is treated within the MTFS as general funding. As is seen from the chart below, the Social Care Grant has become an increasingly important source of funding for the council over recent years and this is a risk area should funds be distributed differently, reduced or discontinued.

CHART: SOCIAL CARE GRANT



*Known as Adult Social Care Support Grant in 2017/18 and 2018/19, and Social Care Support Grant in 2019/20

Services Grant, which was new in 2022/23, has been significantly reduced to pay for increases elsewhere in the 2024/25 finance settlement and the council's share is £0.39M. The council has not been allocated any Guarantee funding as its increase in Core Spending Power is above the threshold.

Sensitivity to funding assumptions

Table 4 below shows how much the council's funding would change in 2025/26 if funding assumptions changed by 1%. The figures are provided for 2025/26 as funding for 2024/25 has either been notified in the local government finance settlement or has been set as part of approving the budget for 2024/25.

TABLE 4 SENSITIVITY TO 1% CHANGE IN FUNDING ASSUMPTIONS

	£M
Core Council Tax Charge/Adult Social Care Precept increase	1.21
Council Tax Base	1.26
Business Rates Multiplier	0.69
Revenue Support Grant	0.12
Social Care Grant	0.24
Top-Up Grant	0.06

Other financial assumptions

TABLE 5: SUMMARY OF OTHER FINANCIAL ASSUMPTIONS

Item	2024/25	2025/26	2026/27	2027/28
Pay inflation	3.0%	2.0%	2.0%	2.0%
Consumer Price Index (CPI)	3.2%	2.1%	2.0%	2.1%
Employer's Local Government Pension Fund rate	16.8%	16.8%	16.8%	16.8%
Borrowing Rates	5.0%	5.0%	5.0%	5.0%

Pay Inflation

The 2023/24 pay award cost 5.6% on average, compared with 4.0% that been allowed for within the MTFS agreed in February 2023, creating an ongoing inflationary pressure of £2.0M. For 2024/25 a 3% pay award has been assumed. This is 1% more than had been allowed for within the MTFS agreed in February 2023, creating an inflationary pressure of £1.3M for 2024/25 onwards. A 2% pay award has been assumed for 2025/26 and thereafter. Under the new cash limited budgets approach budget provision for the pay awards is held by directorates and not centrally. If actual pay awards are higher than has been assumed directorates will need to manage the difference. Although the local government pay settlement is negotiated separately, pay awards for the wider public sector are likely to have a bearing, along with the level of general price inflation and the national living wage.

National Living Wage

Increases in the national living wage have implications for pay awards and the council's general costs in areas like social care. The council has adopted the Living Wage Foundation's recommended living wage, which is currently £12.00 (set in October 2023 but to be implemented by the council from 1 April 2024), for payment of its employees, and this rate is higher than the government's NLW (£11.44 from April 2024).

General Inflation

General inflation levels gradually reduced during 2023, with the Consumer Price Index (CPI) coming down from 8.7% for April 2023 to 4.0% for December 2023. Directorate budgets include provision for contract inflation for 2024/25 and future years. Contract uplifts are generally based on specified indices/measures in the months preceding when the uplift applies. For 2024/25 £2.5M has been included for contract inflation at an average increase of 6.5%. This is £0.5M less than had been provided for within the February 2023 MTFS. There is a risk that should inflation be at a higher rate than anticipated costs will rise. Any difference between actual and estimated inflation rates will be for directorates to manage.

In addition to the above, £5.0M for inflation on adult social care provider contracts was included in the MTFS agreed in February 2023 for 2024/25 and £2.5M additional each year thereafter, this has been allocated to the Wellbeing & Housing Directorate. There is a saving proposal to release £1.0M of the 2024/25 uplift budget. An increase of £0.2M has been allowed for within the Capital Asset Management to recognise the additional capital financing costs arising from inflation on capital expenditure.

Sensitivity to Inflation Assumptions

Table 5 below shows the estimated additional cost to the Council in 2024/25 if the pay award or general inflation is 1% higher than assumed in the MTFS.

TABLE 5 SENSITIVITY TO 1% CHANGE IN INFLATION ASSUMPTIONS

	£M
Pay inflation	1.27
General contract inflation (excluding social care contracts)	0.38
Adult social care provider contracts uplift	0.64

Pension Fund - Employer Costs

The Hampshire Local Government Pension Scheme employer contribution rate applicable from April 2023 to March 2026 is 16.8%. No changes to the rate have been assumed following the next triennial revaluation which will take effect from April 2026.

Borrowing Rates

Since 2012, the council has pursued a strategy of internal borrowing – minimising external borrowing by running down its investment balances and only borrowing short term to cover cash flow requirements. The capital financing budget is set on the assumption that this will continue. A borrowing rate of 5.0% for 2024/25 and ongoing has been assumed within the MTFS.

Centrally Held Contingency

The council holds a contingency budget to provide cover for potential cost pressures. For 2024/25 £7.7M is held within contingency, which includes an initial £2.0M for potential redundancy costs and £2.0M for loss or rental income arising from the property disposals programme.

Budget pressures, savings and commitments

Previously Agreed Budget Changes

The MTFS approved by council each year includes the impact of budget pressures, savings and Executive commitments for the 4 years of the MTFS. For example, the MTFS approved in February 2023 included budget changes for the years 2024/25 to 2026/27, as well as those for 2023/24. These previously agreed changes form part of the starting approved budget for the year (as shown in Annex 1) before any further changes agreed in the current budget round. Table 6 summarises the previously agreed budget changes for 2024/25 to 2027/28 as approved in February 2021, 2022 and 2023. A detailed schedule of the previously agreed budget changes is provided at Annex 2.

TABLE 6 SUMMARY OF PREVIOUSLY AGREED BUDGET CHANGES

Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Budget Pressures				
Children & Learning	30.35	30.45	30.45	30.45
Corporate Services	11.18	11.18	11.29	11.29
Place	17.20	16.50	16.53	16.53
Strategy & Performance and CEO	0.13	0.13	0.23	0.23
Wellbeing & Housing	16.68	16.68	16.68	16.68
Centrally Held Budgets	(4.98)	(3.52)	(2.68)	(2.68)
Total Previously Agreed Budget Pressures	70.56	71.42	72.50	72.50
Savings				

Children & Learning	(17.32)	(17.81)	(17.81)	(17.81)
Corporate Services	(7.69)	(7.88)	(8.07)	(8.07)
Place	(7.78)	(8.22)	(8.19)	(8.19)
Strategy & Performance and CEO	(0.78)	(0.78)	(0.78)	(0.78)
Wellbeing & Housing	(4.68)	(4.18)	(4.18)	(4.18)
Centrally Held Budgets	(11.03)	(10.98)	(10.90)	(10.90)
Total Previously Agreed Savings	(49.27)	(49.85)	(49.93)	(49.93)
Commitments				
Children & Learning	0.15	0.15	0.15	0.15
Place	0.57	0.57	0.57	0.57
Wellbeing & Housing	0.07	0.07	0.07	-0.07
Centrally Held Budgets	3.65	3.71	3.71	3.71
Total Previously Agreed Executive Commitments	4.44	4.50	4.50	4.50
TOTAL PREVIOUSLY AGREED BUDGET CHANGES	25.72	26.07	27.07	27.07

Numbers are rounded

Budget Pressures

Table 7 summarises the new budget pressures that have been included in the medium term financial forecast in Annex 1, not including the inflationary pressures which are outlined above in the other financial assumptions section. The budget pressures are mainly due to continuing high demand for council services, especially for children's and adults social care and home to school transport, as well as pressures due to high costs of homelessness provision, savings proposals and income targets that are no longer considered achievable and higher costs of capital financing. Many of these pressures are being experienced by councils nationwide.

TABLE 7 SUMMARY OF BUDGET PRESSURES

Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Children & Learning	10.01	10.10	9.66	9.66
Corporate Services	5.65	5.81	6.19	6.19
Place	11.77	13.41	14.65	16.52
Strategy & Performance and CEO	0.60	0.60	0.60	0.60
Wellbeing & Housing	10.82	10.94	11.66	12.38
Centrally Held Budgets	3.18	5.85	5.85	5.86
Total Budget Pressures	42.03	46.71	48.61	51.21

Numbers are rounded

Savings

The council has identified savings through efficiencies, cost control measures and service redesign, together with delivering savings through income generation. Table 8 summarises the savings that have been included in the medium term financial forecast in Annex 1. Savings proposals relating to council tax income and general grant funding are included within the council's resources noted above.

TABLE 8 SUMMARY OF SAVINGS

Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Children & Learning	(4.92)	(4.49)	(4.42)	(4.37)
Corporate Services	(3.20)	(2.88)	(2.49)	(2.49)
Place	(7.08)	(7.07)	(7.04)	(6.80)
Strategy & Performance and CEO	(0.27)	(0.27)	(0.27)	(0.27)
Wellbeing & Housing	(5.49)	(4.55)	(4.55)	(4.55)
Centrally Held Budgets	(1.72)	(2.73)	(2.54)	(2.46)
Total Savings	(22.68)	(21.99)	(21.31)	(20.94)

Executive Commitments

Table 9 below summarises the Executive commitments that have been included in the medium term financial forecast in Annex 1. These include the impact on capital financing costs of adding new schemes to the capital programme.

TABLE 8 SUMMARY OF COMMITMENTS

Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Place	0.15	0.15	0.15	0.15
Wellbeing & Housing	0.34			
Centrally Held Budgets	0.37	1.49	3.16	4.74
Total Executive Commitments	0.86	1.64	3.31	4.89

Numbers are rounded

Balances and earmarked resources

The council holds revenue reserves to provide cover for risks and unforeseen events, to meet known or predicted requirements and to manage timing differences in funding. There are two types of General Fund revenue reserve: i) the General Fund Balance, which operates as a working balance to manage uneven cash flows and to provide a contingency against emerging events or emergencies. CIPFA recommend a minimum balance of 5% of net revenue expenditure; and ii) earmarked reserves, which are used as a means of building up funds for use in a later financial year for known or predicted requirements, including risks. The types of earmarked reserves held by the council are set out in the Revenue Reserves Policy at Annex 8. In recent years revenue reserves have been used to help balance the budget. The intention is to move away from this towards a position where reserves are used for non-recurrent purposeful investment or spend and to ensure that there is financial provision set aside to meet known future one-off commitments or liabilities.

The Executive Director Corporate Services & S151 Officer has reviewed the level of reserves in formulating the MTFS and 2024/25 budget and recommends the General Fund balance is increased by £1.93M from the current balance of £10.07M to £12.00M in line with the CIPFA recommended minimum.

Earmarked reserves (excluding schools' balances) totalled £49.6M at the end of 2022/23 and are forecast to be £21.1M at the end of 2023/24, after taking account of the budgeted drawn down from reserves and use to meet the 2023/24 in-year overspend. This includes contributions of £5.30M to the Transformation & Improvement and Organisational Redesign Reserves during 2023/24 from one-off gains (primarily from a VAT reclaim) and £0.4M to the Investment Risk Reserve to provide cover for a reduction in value of the pooled property fund investment. In recognition that existing reserves were highlighted as inadequate in the budget report to Council in February 2023, the MTFS includes the setting aside of sums to rebuild reserves over time. Table 10 below shows the planned contributions to reserves within the MTFS. The forecast future position for reserves is shown in Annex 3 and is summarised in table 11. The reserves forecast does not include any use of reserves to meet budget shortfalls in 2024/25 or future years.

TABLE 10 FORECAST USE OF CORPORATE EARMARKED RESERVES

	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
MTFS as at February 2023	0.00	2.00	2.00	2.00
Replenishment of Medium Term Financial Risk Reserve			3.88	5.32
Drawdown from MTFR Reserve to increase General Fund Balance	(0.78)			
Repayment to MTFR Reserve for timing difference between business rates grants shortfall and Collection Fund surplus	0.08			

Contribution to Investment Risk Reserve	0.40	0.40		
Contribution to Transformation & Improvement and Organisational Redesign Reserves - from the 2023/24 Collection Fund surplus	2.17			
Contribution to Social Care Demand Risk Reserve	0.20			
Sub-Total new net contributions to reserves	2.07	0.40	3.88	5.32
MTFS as at February 2024	2.07	2.40	5.88	7.32

Table 11 below shows the forecast General Fund earmarked reserves (excluding schools' balances) at the end of each financial year of the MTFS. See paragraphs 118 to 124 of the main budget report for the S151 Officer's assessment of the adequacy of reserves.

TABLE 11 GENERAL FUND EARMARKED RESERVES

	2023/24	2024/25	2025/26	2026/27	2027/28
	£M	£M	£M	£M	£M
Total earmarked reserves (excluding schools' balances)	21.07	20.02	21.39	26.13	33.52

The earmarked revenue reserves forecast excludes £11.1M relating to a cumulative overspend on the Dedicated Schools Grant (DSG) as at the end of 2021/22, which in accordance with regulations is being held in a separate DSG Adjustment Account so as to have no impact on the General Fund and non-school services the council provides. The regulations do not allow for any subsequent DSG surpluses to be applied to reduce the balance in the adjustment account, they are held in a DSG Reserve within earmarked revenue reserves. The combined forecast position at the end of 2023/24 across the adjustment account and reserve is an £8.3M cumulative overspend. The regulations apply to the end of 2025/26, so if the DSG position does not improve within that time period or if the period to which the regulations apply is not extended further, the £8.3M net deficit will fall to be included within General Fund earmarked reserves from 2026/27.

Forecast financial position 2024/25 – 2027/28

Changes since the MTFS update reported to Cabinet in November 2023 are summarised in Table 12 below, with further detail provided in Annex 4 (2027/28 has been added as if it had been reported in November).

TABLE 12 SUMMARY OF CHANGES SINCE NOVEMBER 2023

	2024/25	2025/26	2026/27	2027/28
	£M	£M	£M	£M
Forecast budget shortfall November 2023	33.40	39.58	47.95	50.77
Unachievable Savings	0.41	0.41	0.41	0.41
Budget Pressures	6.92	7.06	7.44	7.98
Inflation	(0.10)	(0.10)	(0.10)	5.99
New Proposed Commitments	0.71	1.49	3.16	4.74
Funding Changes	(2.37)	(0.35)	3.51	0.35
One-off Sums	0.31	0.00	0.00	0.00
Transfers to/(from) Reserves	(0.31)	0.00	0.00	0.00
Savings Proposals	0.31	(0.23)	(0.03)	0.17
Revised Budget Shortfall	39.28	47.86	62.33	70.41

The Council's current forecast financial position is set out in Table 13 below and summarised by directorate in Annex 1. It includes the implications of the 2024/25 local government finance settlement and funding assumptions for future years set out earlier in this report. It will be reviewed each year as part of the business and budget planning framework to reflect any new pressures, changes in funding assumptions and any revision to the council's corporate

plan. Where possible, factors described in the Context section have been built into the financial modelling to ascertain the forecast financial position.

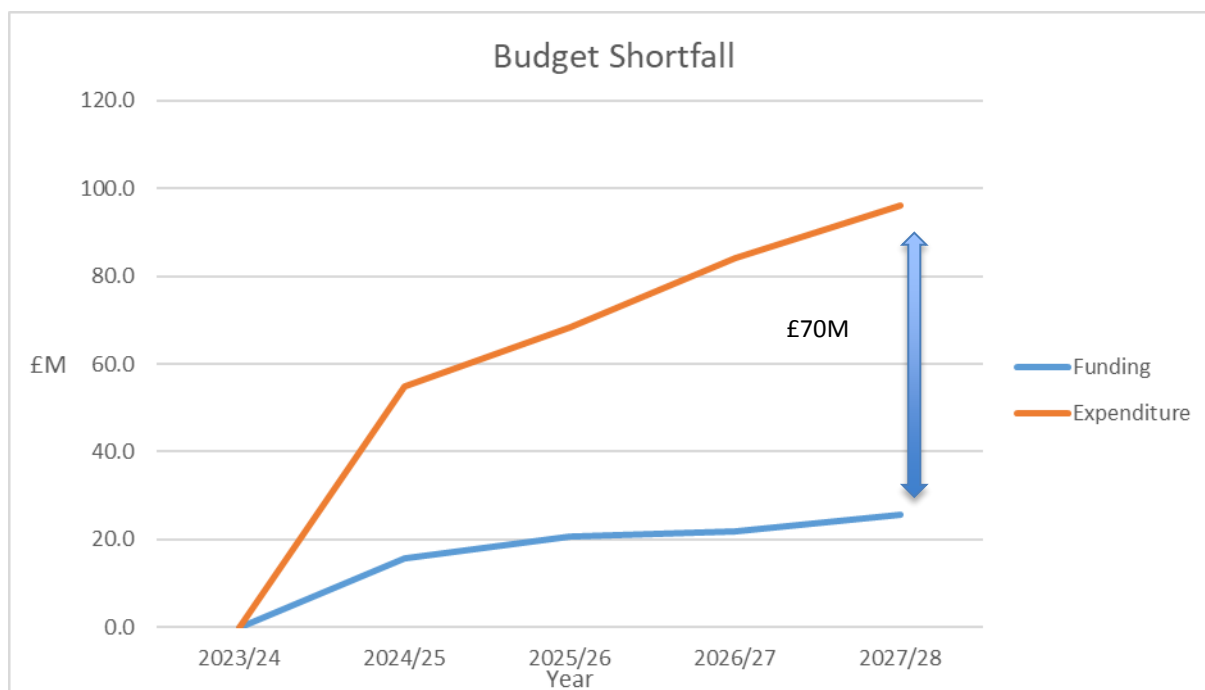
TABLE 13 FORECAST BUDGET SHORTFALL

	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Net Expenditure	278.52	290.03	305.84	317.76
Funding	(239.24)	(242.16)	(243.50)	(247.34)
EFS - Capitalisation of Revenue Expenditure	(39.28)			
Forecast Budget Shortfall	0.00	47.86	62.33	70.41

Based on current forecasts, the council’s net expenditure outweighs its funding in each year of the MTFs. The council has accepted an offer of exceptional financial support (EFS) from the government for 2024/25 in order to be able to set a balanced budget. This support comes in the form of a capitalisation direction, which allows the council to use capital resources to fund revenue expenditure, subject to the council meeting the conditions attached to the EFS offer. Further details are provided in paragraphs 51 to 58 of the main report. This support only applies for 1 year and the council will need to identify savings to be able to balance the budget in future years. The council is required to achieve annual savings of around £48M from 2025/26, rising to £70M by 2027/28. Further savings proposals will be brought forward during 2024/25 as soon as they are ready to be implemented or to be consulted upon as necessary, to reduce the call on the capitalisation direction and to contribute to reducing the budget shortfalls in future years. The council is also developing a transformation programme to deliver the level of savings required to put the council back on a sustainable financial footing.

The graph below demonstrates the budget shortfall to 2027/28 as at March 2024, excluding exceptional financial support for 2024/25.

CHART: BUDGET SHORTFALL



For 2025/26 onwards it has been assumed that the council’s settlement funding allocation is flat and that there is no increase in social care grants. A business rates reset has also been assumed for 2026/27. Cautious estimates for housing growth and commercial developments have been included within the medium term forecast. If any of these

assumptions are more favourable than anticipated this would reduce the budget shortfall. Conversely, there are numerous downside risks to the medium term forecast as set out in the Key Risks section.

Capital programme

Planned capital expenditure and the associated financing is detailed within the budget report for approval by Council in March 2024. The programme has been reviewed and reprofiled in light of the economic environment (inflation and interest rates) and changing priorities. The proposed Capital Programme for 2023/24 to 2028/29 totals £544.82M and includes £264.81M for the General Fund and £280.01M for the HRA. The General Fund Capital Programme includes the following major commitments:

- £10.2M for flood alleviation schemes
- £91.0M for highways and transport schemes
- £60.3M for schools and other education projects
- £29.2M for Outdoor Leisure improvements

Consideration has been given to the most appropriate use of capital resources in supporting the programme and meeting the investments and the priorities for the City. All capital projects must ensure purposeful investment and focus on delivering the optimum value for money for the council and its benefits are fully considered against taking account of the financial challenges the council faces. The Purposeful investment criteria is as follows:

1. Does it reduce revenue expenditure/increase income in the current year or future years?
2. Does it stop a potential financial pressure in future years?
3. Does it have a significant impact on the lives of residents?

All the revenue implications of the capital projects are built into both the General Fund Estimates and Housing Revenue Account Business Plan.

Purposeful Investment

All investment, either revenue or capital, to have a clear purpose and strong business case. Actions being taken:

- All capital schemes will be reviewed to ensure they are an investment with a purpose in line with those agreed.
- Review of the Corporate Plan, People Plan and the supporting strategies to reflect the priorities of purposeful investment and a sustainable organisation.
- Identify further opportunities to invest in the city and the council including innovative ideas and ensuring business cases have been developed in anticipation of funding becoming available.
- Establish a Strategic Capital Board to ensure capital projects are being prioritised and the investment is based on strong business cases and delivery plans.

Housing revenue account

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

- The capital budget proposals for 2024/25 reflect the decision made by Cabinet on 6 February 2024 to work in partnership with other Registered Providers for the provision of new housing at plots 2 and 9 Townhill Park. Additional investment has been included in the programme aimed at improving voids in 2024/25, and increased investment to address decent homes standards compliance. However, in-house delivery of new homes is still budgeted for plot 10 Townhill Park, and this is reflected in capital spending proposals.
- A provision of £1.85 Bn (including inflation adjustment) is set aside for existing stock investment, that may be required over the next 40 years.

- The revenue budget meets the agreed minimum balances of £3M in 2024/25, £4M in 2025/26 and £7M from 2027/28 and over the life of the Plan. This represents an increase from the minimum £2M following a review of the working balance during 2023/24.

The Welfare Reform & Work Bill 2015/16 imposed a 1% per annum reduction in rents charged to tenants for a 4 year period from 2016/17 to 2019/20. This period has ended, and rents increased in line with prevailing inflation data in 2020/21 and 2021/22. The council agreed to freeze rent for 2022/23, and a rent cap of 7% applied in 2023/24. The rental increases are limited by national government policy and are currently calculated using the Consumer Price Index inflation plus 1% for 2024/25. Guidance has not yet been consulted or issued for 2025/26 and beyond, but the business plan assumes CPI +1% continues in 2025/26 and that increases from 2026/27 are in line with CPI. The budget proposals recommend no increase in service charges for 2024/25 pending further review work, and an increase in Landlord Controlled Heating charges of 6.5% as part of a longer term plan to address the deficit on the account, currently forecast at £3M at the end of 2023/24.

Key risks

There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFs. These risks are reflected in a 'Key Financial Risks' document which identifies the key financial risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and planned, which is reviewed on a quarterly basis as part of financial monitoring. These financial risks are reflected in the assessment of the adequacy of estimates and reserves. Factors that can have a material effect on the financial position of the council include:

- Changes in the economy
- Unmanaged service pressures and increases in demand
- Level of future pay awards and general inflation assumptions
- Impact of National Living Wage
- Changes to employer pension contribution rates
- Non achievement of savings
- Projected income levels from fees & charges
- The lack of certainty in government funding for future years including grants and reforms to the local government finance system
- Changes in function
- Changes in how services are funded
- Council tax policy, housing growth and the level of local council tax support
- Business rates volatility, more frequent business rates revaluations and changes to the Business Rates Retention scheme, including the resetting of baselines for measuring growth
- Changes in legislation and government policy
- Adequacy of contingencies and reserves in any one period
- Treasury Management and interest rate changes
- Level of insurance provisions
- Ad hoc or unforeseen events/emergencies
- Social care reforms
- New unfunded burdens
- Welfare reforms
- Provider failure
- Demographic changes
- Impact of exiting the European Union
- The legacy impact of the COVID-19 pandemic
- Ending of the statutory override for the Dedicated Schools Grant deficit in 2025/26

It is important to note that the revised forecast represents the best estimate of the forecast position moving forward. However, there are risks associated with these revised forecasts. The main risks are:

1. Financial – the majority of the future years' forecast and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.
2. Political – The 2024/25 local government finance settlement is only for 1 year. Changes to the local government finance system have been deferred until at least the next parliament and adult social care charging reforms have been delayed until October 2025 at the earliest years. The impact of any positive or negative change to our future funding as a result of any such changes and sufficiency of funding for the adult social care reforms will need to be considered in due course.
3. Treasury – the MTFS is based on a reasonably stable global financial position going forward. If the assumptions change it may have a major impact on the financial position of the council particularly around business rate income, and interest payments.
4. Internal Change – Service transformation will be required to address the budget shortfall over the medium term. Inevitably, such changes have associated risks.

Managing budgets and forecasting

The Financial Procedure Rules were updated in July 2023 to strengthen the financial framework and reflect the cash limited budget approach being adopted. Budget holders at all levels of the council from executive directors downwards will be asked to sign budget accountability statements confirming responsibility for the effective planning and management of the budget to deliver service priorities and outcomes within the agreed budget envelope. All known budget pressures have been recognised within the 2024/25 budget, therefore budget holders should have sufficient resources to manage their budgets effectively. Budget holders will be required to report any variations between forecast for the year and the budget available and to rectify them as soon as possible, through the development and implementation of action plans. The council will monitor its revenue and capital budgets (including the HRA) monthly, including progress in delivering savings and action plans, where necessary.

MEDIUM TERM FINANCIAL FORECAST MODEL

GENERAL FUND REVENUE ACCOUNT	2023/24			2024/25									2025/26			2026/27			2027/28		
	Approved 2023/24 Budget	Forecast Changes	Revised 2023/24 Budget	Approved 2024/25 Budget	Budget Virements	Inflation	Pressures	Executive Commitments	Savings	MTFS Amendments	Forecast Changes	Revised 2024/25 Budget	Approved 2025/26 Budget	Forecast Changes	Revised 2025/26 Budget	Approved 2026/27 Budget	Forecast Changes	Revised 2026/27 Budget	Approved 2027/28 Budget	Forecast Changes	Revised 2027/28 Budget
Approved Budget As at Feb 2023	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Children & Learning	57.40	1.04	58.44	54.68	0.62	1.44	10.01	0.00	(4.92)	0.00	7.14	61.83	54.28	8.31	62.58	54.28	8.60	62.88	54.28	9.30	63.58
Corporate Services	25.78	2.25	28.03	24.72	1.70	1.79	5.65	0.00	(3.20)	0.12	6.07	30.78	24.53	7.18	31.70	24.44	8.70	33.14	24.44	9.40	33.85
Place	41.29	1.32	42.61	42.92	0.97	3.24	11.77	0.15	(7.08)	0.00	9.05	51.97	41.77	12.48	54.25	41.83	15.43	57.26	41.83	18.99	60.83
Strategy & Performance and CEO	3.16	0.49	3.65	2.99	0.56	0.19	0.60	0.00	(0.27)	0.00	1.08	4.07	2.99	1.16	4.16	3.09	1.20	4.29	3.09	1.31	4.40
Wellbeing & Housing	93.74	4.09	97.83	90.86	1.09	6.64	10.82	0.34	(5.49)	0.00	13.40	104.26	91.36	17.35	108.72	91.36	21.27	112.63	91.36	25.15	116.51
Other Inflationary Pressures	4.96	(4.96)	(0.00)	15.49	(4.96)	(10.53)	0.00	0.00	0.00	0.00	(15.49)	0.00	21.98	(21.98)	0.00	28.30	(28.30)	0.00	28.30	(28.30)	0.00
Directorate Expenditure	226.33	4.24	230.57	231.67	(0.02)	2.77	38.85	0.49	(20.96)	0.12	21.25	252.91	236.92	24.50	261.41	243.31	26.89	270.20	243.31	35.86	279.17
Capital Asset Management	10.06	0.00	10.06	12.70	0.00	0.24	1.25	0.37	(0.91)	0.00	0.96	13.66	14.22	2.38	16.59	15.14	3.99	19.13	15.14	5.50	20.64
Levies & Contributions	0.09	0.00	0.09	0.09	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.10	0.09	0.01	0.10	0.09	0.02	0.10	0.09	0.02	0.11
Other Expenditure & Income & Centrally Held Allocations	5.59	0.02	5.61	6.04	0.02	0.00	1.92	0.00	(0.01)	(0.12)	1.81	7.85	5.04	4.48	9.52	6.04	4.48	10.52	6.04	4.48	10.52
Transfer to/from Reserves	(20.62)	(4.13)	(24.75)	0.00	0.00	0.00	0.00	0.00	0.00	2.07	2.07	2.07	2.00	0.40	2.40	2.00	3.88	5.88	2.00	5.32	7.32
Contribution to General Fund Balances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.93	1.93	1.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exceptional Financial Support - Capitalisation of Revenue										(39.28)	(39.28)	(39.28)		0.00	0.00		0.00	0.00		0.00	0.00
Net Revenue Expenditure	221.45	0.13	221.58	250.50	0.00	3.01	42.03	0.86	(21.88)	(35.27)	(11.25)	239.24	258.26	31.77	290.03	266.58	39.26	305.84	266.58	51.18	317.76
Funding																					
Council Tax (including Adult Social Care Precept)	(115.77)	0.00	(115.77)	(118.81)	0.00	0.00	0.00	0.00	(0.36)	(2.26)	(2.62)	(121.43)	(122.89)	(3.54)	(126.43)	(126.58)	(3.53)	(130.11)	(126.58)	(7.17)	(133.75)
Collection Fund Surplus/Deficit - Council Tax	0.26	0.00	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.99	0.99	0.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business Rates	(47.45)	0.00	(47.45)	(54.06)	0.00	0.00	0.00	0.00	0.00	2.85	2.85	(51.21)	(55.84)	(1.16)	(57.00)	(57.76)	(0.35)	(58.11)	(57.76)	(1.47)	(59.22)
Collection Fund Surplus/Deficit - Business Rates	(1.69)	0.00	(1.69)	0.00	0.00	0.00	0.00	0.00	0.00	(3.24)	(3.24)	(3.24)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Support Grant	(12.88)	0.00	(12.88)	(13.58)	0.00	0.00	0.00	0.00	0.00	(0.16)	(0.16)	(13.73)	(14.01)	2.21	(11.80)	(14.37)	3.88	(10.50)	(14.37)	5.15	(9.23)
Top Up Grant/Tariff Payment	(5.36)	0.00	(5.36)	(5.65)	0.00	0.00	0.00	0.00	(0.45)	(0.00)	(0.45)	(6.10)	(5.83)	(0.46)	(6.29)	(5.98)	1.61	(4.37)	(5.98)	1.53	(4.46)
New Homes Bonus	(0.21)	0.00	(0.21)	0.00	0.00	0.00	0.00	0.00	0.00	(0.04)	(0.04)	(0.04)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S31 Business Rates Grants	(16.53)	0.00	(16.53)	(13.30)	0.00	0.00	0.00	0.00	0.00	(5.36)	(5.36)	(18.66)	(13.76)	(1.12)	(14.88)	(14.17)	(0.65)	(14.82)	(14.17)	(0.96)	(15.13)
Other Non-Specific Government Grants	(21.82)	(0.13)	(21.95)	(23.88)	0.00	0.00	0.00	0.00	0.00	(1.95)	(1.95)	(25.83)	(23.37)	(2.38)	(25.75)	(22.93)	(2.67)	(25.60)	(22.93)	(2.63)	(25.56)
Total Funding	(221.45)	(0.13)	(221.58)	(229.28)	0.00	0.00	0.00	0.00	(0.80)	(9.17)	(9.97)	(239.24)	(235.70)	(6.46)	(242.16)	(241.79)	(1.71)	(243.50)	(241.79)	(5.55)	(247.34)
Savings Requirement	0.00	(0.00)	0.00	21.22	0.00	3.01	42.03	0.86	(22.68)	(44.44)	(21.22)	0.00	22.56	25.30	47.86	24.79	37.55	62.33	24.79	45.63	70.41

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PREVIOUSLY AGREED BUDGET CHANGES

PREVIOUSLY AGREED PRESSURES

Children & Learning Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21P47	Looked After Children placement costs	Children Looked After	Children & Learning	3,751	3,751	3,751	3,751
21P48	Children's - Agency costs	Divisional Management	Children & Learning	1,557	1,557	1,557	1,557
21P49	Safer Families for Children increased costs	Children & Families First	Children & Learning	120	120	120	120
21P63	Specialist Support Services savings - unachievable savings	Children Looked After	Children & Learning	470	470	470	470
21P64	Early Help - unachievable year-on-year increase in savings	Children & Families First	Children & Learning	416	416	416	416
21P65	Workforce Development - income and savings targets - unachievable savings	Quality Assurance Business Unit	Children & Learning	444	444	444	444
21P78	Reduction in recharges to the Dedicated Schools Grant	Safeguarding	Children & Learning	60	60	60	60
21P81	Temporary classrooms	Education - Asset Management	Children & Learning	180	180	180	180
22P1	Destination 22 staffing growth - Early Help	Children & Families First	Children & Learning	225	225	225	225
22P10	Children's Social Care - Residential units	Children Looked After	Children & Learning	2,418	2,460	2,460	2,460
22P11	Workforce Academy	Quality Assurance Business Unit	Children & Learning	180	157	157	157
22P2	Destination 22 staffing growth - Young People	Divisional Management	Children & Learning	592	592	592	592
22P21	Children's Social Care - other current service pressures - Agency staffing	MASH & CIN	Children & Learning	890	890	890	890
22P21	Children's Social Care - other current service pressures - Agency staffing	Safeguarding	Children & Learning	890	890	890	890
22P22	Children's Social Care - other current service pressures - Preventative services	Safeguarding	Children & Learning	328	328	328	328
22P3	Destination 22 staffing growth - Children Looked After	Divisional Management	Children & Learning	386	386	386	386
22P34	Children's Social Care - Refer a Friend Scheme	Care Leavers	Children & Learning	15	15	15	15
22P36	Children's Social Care - other current service pressures	Legal (Children's)	Children & Learning	50	50	50	50
22P4	Children's Social Care - unfunded service critical posts	Divisional Management	Children & Learning	719	719	719	719
22P5	Children's Social Care - Youth Offending Service posts	Youth Offending	Safer City	180	180	180	180
22P6	Disability Service unfunded posts	Education - High Needs	Children & Learning	475	475	475	475
22P7	Children's Social Care - other current service pressures - Placement spend	Children Looked After	Children & Learning	4,332	4,332	4,332	4,332
22P8	PAUSE - Preventing children into care (post govt funding)	Children Looked After	Children & Learning	245	245	245	245
22P9	Enhancing Behaviour Resilience Service / Children & Adolescent Mental Health Services	Young Peoples Service	Children & Learning	227	227	227	227
23P1	Expenditure pressures within Children's Services from continued high demand	Children Looked After	Children & Learning	8,446	8,533	8,533	8,533
23P1	Expenditure pressures within Children's Services from continued high demand	Education - High Needs	Children & Learning	60	60	60	60
23P1	Expenditure pressures within Children's Services from continued high demand	Education & Learning	Children & Learning	165	165	165	165
23P1	Expenditure pressures within Children's Services from continued high demand	Legal (Children's)	Children & Learning	80	80	80	80
23P1	Expenditure pressures within Children's Services from continued high demand	Quality Assurance Business Unit	Children & Learning	133	133	133	133
23P1	Expenditure pressures within Children's Services from continued high demand	Safeguarding	Children & Learning	743	743	743	743
23P31	Staffing pressures within the Special Education Needs and Disabilities team	Education - High Needs	Children & Learning	385	385	385	385
23P39	Staffing pressures within the JIGSAW Team	Education - High Needs	Children & Learning	1,188	1,188	1,188	1,188
Total Previously Agreed Pressures - Children & Learning Directorate				30,347	30,453	30,453	30,453

Corporate Services Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21P21	Property Investment Fund - review	Commercialisation	Finance & Change	6,595	6,595	6,595	6,595
21P34	Improved collection of council tax - unachievable saving	Local Taxation & Benefits Services	Finance & Change	161	161	161	161
21P35	Reducing the level of bad debt & cost recovery - unachievable saving	Local Taxation & Benefits Services	Finance & Change	125	125	125	125
21P53	IT investment	IT Services	Finance & Change	961	961	961	961
21P69	Customer Payments & Debt income shortfall	Accounts Receivable	Finance & Change	92	92	92	92
21P84	Apprenticeship Levy	HR Services	Finance & Change	100	100	100	100
22P14	800th Mayoral year event programme and increased support for the Mayor's Office	Democratic Representation & Managemen	Finance & Change	62	62	62	62
22P20	Members allowances - increase in the size of the Cabinet	Democratic Representation & Managemen	Finance & Change	40	40	40	40
22P24	Increase council tax collection activity	Local Taxation & Benefits Services	Finance & Change	110	110	110	110
22P35	Proposed warding patterns - Southampton Electoral Review	Democratic Representation & Managemen	Finance & Change	46	46	46	46
22P38	Delivery of People Strategy	HR Services	Finance & Change	90	90	90	90
23P16	Staffing cost reductions within Supplier Management not achievable	Supplier Management Services	Finance & Change	301	301	301	301
23P17	Estimated loss of income from court fees	Local Taxation & Benefits Services	Finance & Change	570	570	570	570
23P24	Increase in audit fees	Corporate Management	Finance & Change	335	335	335	335
23P30	Increased cost of housing homelessness that does not attract housing benefit subsidy	Net Housing Benefit Payments	Net Housing Benefit Payments	300	300	300	300
23P32	Cost reductions within the PA Team not achievable	Democratic Representation & Managemen	Finance & Change	115	115	115	115
23P34	Increased cost of Apprenticeship Levy	HR Services	Finance & Change	89	89	89	89
23P41	Cost reductions within Customer Services not achievable	Corporate Finance	Finance & Change	110	110	110	110
23P42	Saving from previous saving for up front payment of LGPS employer contributions no longer achievable due to higher interest rates	Pension & Redundancy Costs	Finance & Change	280	280	280	280
23P43	Additional cost of running local elections	Registration of Electors and Elections Costs	Finance & Change			105	105
23P6	IT Services cost reductions not achievable	IT Services	Finance & Change	700	700	700	700
Total Previously Agreed Pressures - Corporate Services Directorate				11,182	11,182	11,287	11,287

Place Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21P10	Public conveniences additional cleansing	City Services - Commercial Services	Environment & Transport	60	60	60	60
21P12	Waste Disposal - net impact on disposal costs	City Services - Waste Operations	Environment & Transport	110	110	110	110
21P21	Property Investment Fund - review	Property Portfolio Management	Economic Development	3,375	3,375	3,375	3,375
21P23	Car park off street income	CPRES - Parking & Itchen Bridge	Environment & Transport	560	560	560	560
21P24	Car park off street Penalty Charge Notices	CPRES - Parking & Itchen Bridge	Environment & Transport	25	25	25	25
21P25	Car park season tickets - off street	CPRES - Parking & Itchen Bridge	Environment & Transport	60	60	60	60
21P26	Itchen toll bridge - tolls	CPRES - Parking & Itchen Bridge	Environment & Transport	450	450	450	450
21P28	Reduced Trade Waste Collection from closed businesses	City Services - Waste Operations	Environment & Transport	50	50	50	50
21P30	Homes of Multiple Occupancy License processing	CPRES - Private Sector Housing	Housing	100	100	100	100
21P32	Increase rental income by sale & reinvesting in properties returning a higher return - unachievable saving	Property Portfolio Management	Economic Development	100	100	100	100
21P46	Review of Transport services and functions - unachievable saving	Transportation	Environment & Transport	250	250	250	250
21P52	Public building review	Libraries	Leader	70	70	70	70
21P54	Street Lighting - project management resources	Highways Contracts	Environment & Transport	60	60	60	60
21P58	Public Health Act funerals	CPRES - Bereavement Services	Environment & Transport	50	50	50	50
21P6	Additional Emergency Planning resource	Emergency Planning	Safer City	15	15	15	15
21P60	Libraries income shortfall	Libraries	Leader	50	50	50	50
21P61	One Guildhall Square under occupancy costs	Property Portfolio Management	Economic Development	1,500	1,500	1,500	1,500
21P62	Park & Ride loss of car park income	CPRES - Parking & Itchen Bridge	Environment & Transport	10	10	10	10
21P67	Late Night Levy withdrawal	CPRES - Licensing	Safer City	80	80	80	80
21P72	Reduction in waste recyclables income	City Services - Waste Operations	Environment & Transport	300	300	300	300
21P73	Waste volumes due to City growth	City Services - Waste Operations	Environment & Transport	200	200	200	200
21P80	Golf Course net operating costs	City Services - District Operating Areas	Environment & Transport	311	311	311	311
22P13	City of Culture	Cultural Services	Leader	100	100	100	100
22P16	Property income rebasing	Property Services	Economic Development	880	880	880	880
22P25	Waste Operations - new staffing model	City Services - Waste Operations	Environment & Transport	546	503	503	503
22P26	Waste Operations - transformation costs	City Services - Waste Operations	Environment & Transport	150	100	100	100
22P27	Waste volumes due to City growth	City Services - Waste Operations	Environment & Transport	350	450	450	450
22P28	Household waste recycling centre contract retendering	City Services - Waste Operations	Environment & Transport	50			
22P32	Investment Properties - loss of rental income	Property Portfolio Management	Economic Development	125	125	125	125
23P10	Reduced income for Off Street Parking	CPRES - Parking & Itchen Bridge	Environment & Transport	180	180	180	180
23P11	Investment Property additional income target not achievable	Property Portfolio Management	Economic Development	250			
23P12	Staffing cost pressures within Cultural Services	Cultural Services	Leader	220	220	220	220
23P13	Additional income target for Events not achievable	Cultural Services	Leader	86	86	86	86
23P14	Waste Service cost reductions not achievable	City Services - Waste Operations	Environment & Transport	600	630	660	660
23P15	Decarbonisation cost reductions not achievable	Energy Team	Economic Development	150	150	150	150
23P20	Temporary closure of Itchen Bridge for capital works	CPRES - Parking & Itchen Bridge	Environment & Transport	439			
23P21	Fleet Services income shortfall following change in charge out policy	Fleet Trading Area	City Services - Fleet & Landscapes Trading	80	80	80	80

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
23P3	Energy - all services	Home To School Transport	Children & Learning	70	70	70	70
23P3	Home to School Transport costs	Home To School Transport	Children & Learning	1,510	1,510	1,510	1,510
23P37	Inflationary pressures on the highways contract	Highways Contracts	Environment & Transport	177	177	177	177
23P4	Energy - all services	Energy Team	Economic Development	2,160	2,160	2,160	2,160
23P4	Energy - all services	Highways Contracts	Environment & Transport	870	870	870	870
23P5	Fuel cost rises	City Services - District Operating Areas	Environment & Transport	120	120	120	120
23P9	Additional costs of the Coroners Service	CPRES - Bereavement	Environment & Transport	300	300	300	300
Total Previously Agreed Pressures - Place Directorate				17,199	16,497	16,527	16,527

Strategy & Performance and CEO

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
23P25	Additional costs of client care management system	Business Development Management Team	Finance & Change	134	134	234	234
Total Previously Agreed Pressures - Strategy & Performance and CEO Directorate				134	134	234	234

Wellbeing & Housing Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21P13	Adult Social Care - demographic pressures	Adults - Long Term	Adult Social Care & Health	5,656	5,656	5,656	5,656
21P36	Increase capacity of Shared Lives provision - general population (non students) - unachievable saving	Adults - Long Term	Adult Social Care & Health	100	100	100	100
21P37	Reviewing homecare care provision to framework - unachievable saving	Adults - Long Term	Adult Social Care & Health	50	50	50	50
21P38	Application of strengths-based approaches when addressing review backlog across all care types - unachievable saving	Adults - Long Term	Adult Social Care & Health	450	450	450	450
21P39	Bringing our activity in line with the highest performing authorities for small homecare packages - unachievable saving	Adults - Long Term	Adult Social Care & Health	1,110	1,110	1,110	1,110
21P40	Clients being offered reablement - unachievable saving	Adults - Long Term	Adult Social Care & Health	1,986	1,986	1,986	1,986
21P41	Direct payments - improved controls to ensure meeting care needs/personal budget brokerage/increase use of PAs (based on audit findings and peer challenge) - unachievable saving	Adults - Long Term	Adult Social Care & Health	320	320	320	320
21P42	Extra care housing reducing use of residential care for older people - unachievable saving	Adults - Long Term	Adult Social Care & Health	144	144	144	144
21P43	More effective demand management (pre-front door and front door) - unachievable saving	Adults - Long Term	Adult Social Care & Health	150	150	150	150
21P44	Occupational Therapy reviews - unachievable saving	Adults - Long Term	Adult Social Care & Health	80	80	80	80
21P45	Increasing the proportion of patients who return home after a short-term period (no more than six weeks) rather than being in a residential care bed - unachievable saving	Adults - Long Term	Adult Social Care & Health	34	34	34	34
21P56	Adult Social Care - additional staffing	Adults - Adult Services Management	Adult Social Care & Health	1,750	1,750	1,750	1,750
21P57	Adult Social Care - equipment	Adults - Adult Services Management	Adult Social Care & Health	300	300	300	300
21P59	Stronger Communities Future Service Design	Stronger Communities	Communities & Leisure	200	200	200	200
21P79	Childhood Obesity Strategy	Public Health - Health Improvement	Adult Social Care & Health	41	41	41	41
22P17	Adults Social Care demography - ageing population leading to a subsequent increase in demand for Social Care services	Adults - Long Term	Adult Social Care & Health	1,380	2,070	2,070	2,070
22P18	Adults Social Care staffing pressures relating to a range of service improvements to increase the quality and resilience of the Social Care service	Adults - Adult Services Management	Adult Social Care & Health	996	996	996	996
22P19	Adults Social Care staffing pressures - Learning Disabilities Housing team	ICU - System Redesign	Adult Social Care & Health	273	273	273	273
23P2	Increased cost of care packages and cost of hospital discharges within Adult Social Care	Adults - Long Term	Adult Social Care & Health	(644)	(1,334)	(1,334)	(1,334)
23P2	Increased cost of care packages and cost of hospital discharges within Adult Social Care	Adults - Provider Services	Adult Social Care & Health	30	30	30	30
23P2	Increased cost of care packages and cost of hospital discharges within Adult Social Care	Adults - Reablement & Hospital Discharge	Adult Social Care & Health	700	700	700	700
23P2	Increased cost of care packages and cost of hospital discharges within Adult Social Care	Adults - Safeguarding AMH & OOH	Adult Social Care & Health	900	900	900	900
23P35	Inflationary pressures on leisure contracts	Leisure Contracts	Communities & Leisure	350	350	350	350
23P38	Investment in Adult Social Care community led support programme and system enhancements	Adults - Adult Services Management	Adult Social Care & Health	180	180	180	180
23P40	Amendment to expenditure attributed to ring-fenced Public Health Grant	Public Health - Management & Overheads	Adult Social Care & Health	139	139	139	139
Total Previously Agreed Pressures - Wellbeing & Housing Directorate				16,675	16,675	16,675	16,675

Capital Asset Management

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21P21	Property Investment Fund - review	Financial Planning	Non-Portfolio	(7,220)	(7,220)	(7,220)	(7,220)
23P22	Higher interest rates for borrowing to finance capital schemes	Financial Planning	Non-Portfolio	1,186	2,646	3,486	3,486
23P23	Increased costs of repaying borrowing (Minimum Revenue Provision)	Financial Planning	Non-Portfolio	1,000	1,000	1,000	1,000
23P36	Increased costs of repaying borrowing (Minimum Revenue Provision) - One Guildhall Square	Financial Planning	Non-Portfolio	53	55	57	57
Total Previously Agreed Pressures - Capital Asset Management				(4,981)	(3,519)	(2,677)	(2,677)
TOTAL PREVIOUSLY AGREED PRESSURES				70,556	71,422	72,499	72,499

PREVIOUSLY AGREED SAVINGS
Children & Learning Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22S1	Children's Social Care - residential unit projections	Children Looked After	Children & Learning	(3,055)	(3,205)	(3,205)	(3,205)
22S2	Children's Social Care - agency reductions	MASH & CIN	Children & Learning	(1,101)	(1,101)	(1,101)	(1,101)
22S2	Children's Social Care - agency reductions	Safeguarding	Children & Learning	(1,100)	(1,100)	(1,100)	(1,100)
22S3	Children's Social Care - potential staff reductions	Children Looked After	Children & Learning	(129)	(129)	(129)	(129)
22S3	Children's Social Care - potential staff reductions	MASH & CIN	Children & Learning	(598)	(598)	(598)	(598)
22S3	Children's Social Care - potential staff reductions	Quality Assurance Business Unit	Children & Learning	(73)	(73)	(73)	(73)
22S3	Children's Social Care - potential staff reductions	Safeguarding	Children & Learning	(290)	(290)	(290)	(290)
22S4	Specialist Foster Carers	Children Looked After	Children & Learning	(784)	(784)	(784)	(784)
22S5	Fostering	Children Looked After	Children & Learning	(777)	(1,123)	(1,123)	(1,123)
22S51	Education psychologists	Education & Learning	Children & Learning	(25)	(25)	(25)	(25)
22S54	Children's Social Care - Refer a Friend Cost Reductions	Children Looked After	Children & Learning	(316)	(316)	(316)	(316)
22S54	Children's Social Care - Refer a Friend Cost Reductions	MASH & CIN	Children & Learning	(150)	(150)	(150)	(150)
22S54	Children's Social Care - Refer a Friend Cost Reductions	Safeguarding	Children & Learning	(150)	(150)	(150)	(150)
22S6	Children's Social Care - residential case reductions	Children Looked After	Children & Learning	(6,050)	(6,050)	(6,050)	(6,050)
22S7	Looked After Children projections	Children Looked After	Children & Learning	(2,233)	(2,233)	(2,233)	(2,233)
23S151	Review of non-staffing budget that supports families in need	Children & Families First	Children & Learning	(15)	(15)	(15)	(15)
23S157	Increase public health funding for the PAUSE service which is preventing women having repeat removals of children to care	Children Looked After	Children & Learning	(72)	(72)	(72)	(72)
23S159	Freeze Children and Learning Service Workforce Academy spending on promotional materials and staff conferences	Quality Assurance Business Unit	Children & Learning	(20)	(20)	(20)	(20)
23S160	Redesign of Young People's, Missing, Exploited, Trafficked and Youth Justice Service	Young Peoples Service	Children & Learning	(111)	(111)	(111)	(111)
23S161	Reduction of one post in the Placements Service	Children Looked After	Children & Learning	(44)	(44)	(44)	(44)
23S165	Creation of framework agreement for temporary accommodation to support no recourse to public funds/homeless families	Children & Families First	Children & Learning	(15)	(15)	(15)	(15)
23S169	Review of Emergency Duty arrangements across Children's and Adults services	Safeguarding	Children & Learning	(100)	(100)	(100)	(100)
23S170	Review of asset management budgets within Education portfolio	Education - Asset Management	Children & Learning	(60)	(60)	(60)	(60)
23S173	Review of Education non-staffing budgets	Education - Asset Management	Children & Learning	(9)	(9)	(9)	(9)
23S173	Review of Education non-staffing budgets	Education & Learning	Children & Learning	(38)	(38)	(38)	(38)
23S209	Ensure appropriate application of contractual car user policy	Children Looked After	Children & Learning	(1)	(1)	(1)	(1)
23S209	Ensure appropriate application of contractual car user policy	Safeguarding	Children & Learning	(2)	(2)	(2)	(2)
23S209	Ensure appropriate application of contractual car user policy	Youth Offending	Safer City	(0)	(0)	(0)	(0)
Total Previously Agreed Savings - Children & Learning Directorate				(17,318)	(17,813)	(17,813)	(17,813)

Corporate Services Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S108	Finance and Commercialisation Directorate – cost reduction	Centrally Apportionable Overheads	Finance & Change	(400)	(400)	(400)	(400)
21S111	Review pricing strategy	Commercialisation	Finance & Change	(250)	(250)	(250)	(250)
21S120	Efficiencies in Customer and Communications	Customer Services	Finance & Change	(91)	(91)	(91)	(91)
21S121	Business Support	Business Support	Finance & Change	(250)	(250)	(250)	(250)
21S124	Temp staff/agency workers etc savings	Corporate Finance	Finance & Change	(1,000)	(1,000)	(1,000)	(1,000)
21S21	Review of allowances	HR Services	Finance & Change	(5)	(5)	(5)	(5)
21S55	Greater use of purchase cards	Accounts Payable	Finance & Change	(115)	(115)	(115)	(115)
21S56	City lottery proposal	Commercialisation	Finance & Change	(40)	(40)	(40)	(40)
21S60	Renegotiate payment terms with suppliers	Accounts Payable	Finance & Change	(25)	(25)	(25)	(25)
21S74	Procure digital system to carry out financial assessments for adult social care	Local Taxation & Benefits Services	Finance & Change	(81)	(81)	(81)	(81)
21S89	Reconfigure contact centre management	Customer Services	Finance & Change	(23)	(23)	(23)	(23)
21S90	Enhancement of Salary Sacrifice Scheme	Commercialisation	Finance & Change	(42)	(42)	(42)	(42)
21SC	Finance and Commercialisation Directorate – cost reduction	Commercialisation	Finance & Change	(100)	(100)	(100)	(100)
21SF	Procurement and contract management savings	Supplier Management Services	Finance & Change	(500)	(500)	(500)	(500)
21SK	Temp staff - cabinet report master vendor	HR Services	Finance & Change	(250)	(250)	(250)	(250)
21SN	Finalise access to online payslips for all staff	HR Services	Finance & Change	(18)	(18)	(18)	(18)
21SO	Review Housing Revenue Account (HRA) staff time allocations	Centrally Apportionable Overheads	Finance & Change	(200)	(200)	(200)	(200)
21SS	Staff travel, office consumables, postage etc savings	Centrally Apportionable Overheads	Finance & Change	(400)	(400)	(400)	(400)
22S11	Customer Services - Non staff spend/Vacant posts deletion	Customer Services	Finance & Change	(20)	(20)	(20)	(20)
22S14	Stretch Contract Management and Procurement Savings	Supplier Management Services	Finance & Change	(200)	(200)	(200)	(200)
22S15	Review allocation of Procurement Team time	Supplier Management Services	Finance & Change	(100)	(100)	(100)	(100)
22S19	Restructure deputyships and appointeeship services	Accounts Payable	Finance & Change	(5)	(5)	(5)	(5)
22S21	Shared services (e.g. VAT advice or Risk Management)	Corporate Finance	Finance & Change	(10)	(10)	(10)	(10)
22S23	Local Government Pension Scheme saving from lump sum upfront payment	Pension & Redundancy Costs	Finance & Change	(180)	(180)	(180)	(180)
22S41	Corporate Communications - advertising income	Customer Services	Finance & Change	(80)	(80)	(80)	(80)
22S53	Legal Services saving	Legal Services & Customer Relations	Finance & Change	(57)	(57)	(57)	(57)
23S183	Reduce spend within Finance on postage, subscriptions and conferences	Corporate Finance	Finance & Change	(14)	(14)	(14)	(14)
23S184	Redesign of Finance service, including removal of vacant posts	Corporate Finance	Finance & Change	(162)	(162)	(162)	(162)
23S193	Reduce 1 Internal Audit from full-time to part-time - to reflect actual staffing level	Internal Audit	Finance & Change	(20)	(20)	(20)	(20)
23S195	Review fees & charges across the Council	Commercialisation	Finance & Change	(665)	(665)	(665)	(665)
23S202	Procurement savings to be made across Council services on revenue contracts (further savings on capital contracts are expected)	Supplier Management Services	Finance & Change		(189)	(378)	(378)
23S206	Local Government Pension Scheme revaluation contribution: SCC funding level remains at 105%, but additional gain above that can be applied in the form of contribution reductions	Pension & Redundancy Costs	Finance & Change	(1,330)	(1,330)	(1,330)	(1,330)
23S40	IT - Staffing - post restructure review	IT Services	Finance & Change	(90)	(90)	(90)	(90)
23S41	Remove additional Unified Support Services contract and place reliance on basic support from Microsoft	IT Services	Finance & Change	(175)	(175)	(175)	(175)
23S43	Remove MS Visio licenses	IT Services	Finance & Change	(4)	(4)	(4)	(4)
23S45	Tether (share) connectivity from one mobile device to another to reduce the number of mobile SIM contracts needed	IT Services	Finance & Change	(12)	(12)	(12)	(12)
23S46	Review all parking permits and remove where roles have changed and no longer required	IT Services	Finance & Change	(4)	(4)	(4)	(4)
23S47	Reduce the number of multi function devices by 50% when the contract is renewed and use print management tools to minimise the impact on staff	IT Services	Finance & Change	(75)	(75)	(75)	(75)
23S48	Rationalise the number of mobile SIM contracts in use across the Council	IT Services	Finance & Change	(66)	(66)	(66)	(66)

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
23S49	Migrate remaining users from the Avaya phone system to Teams telephony and decommission the Avaya system	IT Services	Finance & Change	(70)	(70)	(70)	(70)
23S50	Legal Services staffing restructure	Legal Services & Customer Relations	Finance & Change	(54)	(54)	(54)	(54)
23S51	Stop using the DX postal service	Legal Services & Customer Relations	Finance & Change	(9)	(9)	(9)	(9)
23S52	Reduction in Legal Services books budget to essential texts only	Legal Services & Customer Relations	Finance & Change	(10)	(10)	(10)	(10)
23S53	Reduction in Legal Services attendance at external courses to mandatory only	Legal Services & Customer Relations	Finance & Change	(2)	(2)	(2)	(2)
23S54	Deletion of Records Management part-time post	Legal Services & Customer Relations	Finance & Change	(13)	(13)	(13)	(13)
23S55	Deletion of apprentice post within Complaints Team after end of current fixed term contract	Legal Services & Customer Relations	Finance & Change	(24)	(24)	(24)	(24)
23S56	Increase income for Legal Services work on S106 agreements	Legal Services & Customer Relations	Finance & Change	(5)	(5)	(5)	(5)
23S57	Review potential for a new legal services partnership with new partner council	Legal Services & Customer Relations	Finance & Change	(60)	(60)	(60)	(60)
23S58	Improve and automate business support processes as part of transformation programme	Business Support	Finance & Change	(229)	(229)	(229)	(229)
23S76	Redesign of the Human Resources & Organisational Development service following the senior management restructure	HR Services	Finance & Change	(154)	(154)	(154)	(154)
23S89	Review the Digital and Customer Experience budget	Customer Services	Finance & Change	(5)	(5)	(5)	(5)
Total Previously Agreed Savings - Corporate Services Directorate				(7,693)	(7,882)	(8,071)	(8,071)

Place Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S120	Efficiencies in Customer and Communications	Facilities	Economic Development	(40)	(40)	(40)	(40)
21S27	Review of overheads chargeable to Licensing Services	CPRES - Licensing	Safer City	(30)	(30)	(30)	(30)
21S32	Libraries income review	Libraries	Leader	(6)	(6)	(6)	(6)
21S64	Clean Growth Fund	Energy Team	Economic Development	(18)	(18)	(18)	(18)
21S99	Increase Disabled Facility Grant (DFG) contribution to revenue provision of service	CPRES - Private Sector Housing	Housing	(80)	(80)	(80)	(80)
22S13	Facilities - cleaning contract consolidation & reduced non staff spend	Facilities	Economic Development	(55)	(55)	(55)	(55)
22S16	Bereavement Services Income Generation	CPRES - Bereavement Services	Environment & Transport	(100)	(100)	(100)	(100)
22S17	Registration Services - Ceremonies income generation	CPRES - Registration Services	Environment & Transport	(60)	(60)	(60)	(60)
22S18	Port Health Income	CPRES - Port Health	Safer City	(30)	(30)	(30)	(30)
22S25	Parking income estimates	CPRES - Parking & Itchen Bridge	Environment & Transport	(250)	(250)	(250)	(250)
22S28	Civic Centre car park income	CPRES - Parking & Itchen Bridge	Environment & Transport	(100)	(100)	(100)	(100)
22S29	Cruise ship car parking	CPRES - Parking & Itchen Bridge	Environment & Transport	(50)	(50)	(50)	(50)
22S32	Partnership Delivery Models	Planning	Economic Development	(140)	(140)	(140)	(140)
22S32	Partnership Delivery Models	Transportation	Environment & Transport	(25)	(25)	(25)	(25)
22S33	Property Budget	Central Repairs & Maintenance	Economic Development	(390)	(390)	(390)	(390)
22S33	Property Budget	Property Portfolio Management	Economic Development	(188)	(188)	(188)	(188)
22S33	Property Budget	Property Services	Economic Development	(9)	(9)	(9)	(9)
22S34	Decarbonisation Measures	Energy Team	Economic Development	(385)	(385)	(385)	(385)
22S44	Waste Operations - eco driving	City Services - Waste Operations	Environment & Transport	(20)	(20)	(20)	(20)
22S45	Trade Waste	City Services - Waste Operations	Environment & Transport	(200)	(200)	(200)	(200)
22S46	Reduced residual waste bin size	City Services - Waste Operations	Environment & Transport	(40)	(50)	(50)	(50)
22S47	Reduce waste contamination rate	City Services - Waste Operations	Environment & Transport	(60)	(80)	(80)	(80)
22S48	Waste Operations - service improvements	City Services - Waste Operations	Environment & Transport	(610)	(620)	(620)	(620)
22S49	Income from Dry Mixed Recyclables	City Services - Waste Operations	Environment & Transport	(230)	(260)	(260)	(260)
22S50	Increase number of Green Waste customers	City Services - Waste Operations	Environment & Transport	(22)	(22)	(22)	(22)
22S52	Home to school transport	Home To School Transport	Children & Learning	(120)	(120)	(120)	(120)
22S55	Southampton Golf Course income	City Services - Commercial Services	Environment & Transport	(85)	(85)	(85)	(85)
22S9	Cultural Services Venues (Income) - stretch target	Cultural Services	Leader	(300)	(300)	(300)	(300)
23S100	Fleet Operations - savings to be achieved through reduced repair costs as newer vehicles come on line, and a service redesign to introduce a more resilient mgt structure and efficient operating model	Fleet Trading Area	City Services - Fleet & Landscapes Trading	(120)	(120)	(120)	(120)
23S101	Review of the central street cleansing team used on evening shifts in line with saving opportunities supported by the introduction of solar bins and a re-focussed city-wide task team	City Services - District Operating Areas	Environment & Transport	(28)	(28)	(28)	(28)
23S103	Move to a commissioning model for the Landscaping team to support the delivery of SCC capital projects and concentrate internal delivery on external contracts where full costs can be recovered	Landscape Trading Area	City Services - Fleet & Landscapes Trading	(255)	(255)	(255)	(255)
23S105	Review proposals to increase allotment income	City Services - Trees & Ecology	Environment & Transport	(13)	(13)	(13)	(13)

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
23S108	Auction off 3 diesel sweepers, increase the electric vehicle capacity and introduce a new shift pattern for the street cleansing team	City Services - District Operating Areas	Environment & Transport	(75)	(75)	(75)	(75)
23S111	Increase income from the City Golf Course	City Services - Commercial Services	Environment & Transport	(70)			
23S113	Review of the schools grounds maintenance contract in 2024	City Services - Commercial Services	Environment & Transport		(60)	(60)	(60)
23S115	Increased museum income from various streams	Cultural Services	Leader	(48)	(48)	(48)	(48)
23S119	Transfer Cobbett Road Library to a third party operator (subject to fulfilling Council requirements)	Libraries	Leader	(70)	(70)	(70)	(70)
23S130	Itchen Bridge fees for non-residents - increase of 20p and 10p (peak and off peak) from April 2023, subject to Traffic Regulation Order consultation and response	CPRES - Parking & Itchen Bridge	Environment & Transport	(440)	(440)	(440)	(440)
23S132	Remove concessions for Itchen Bridge charges for electric vehicles, subject to Traffic Regulation Order consultation and response	CPRES - Parking & Itchen Bridge	Environment & Transport	(14)	(14)	(14)	(14)
23S133	Reinstate multi-storey car park evening charges	CPRES - Parking & Itchen Bridge	Environment & Transport	(20)	(20)	(20)	(20)
23S134	Increase income from cremation	CPRES - Bereavement Services	Environment & Transport	(100)	(100)	(100)	(100)
23S137	Increase burial income	CPRES - Bereavement Services	Environment & Transport	(25)	(25)	(25)	(25)
23S138	Increase the number of ceremonies being undertaken by the Registration Service	CPRES - Registration Services	Environment & Transport	(25)	(25)	(25)	(25)
23S139	Review allocation of staffing costs between on street and off street parking	CPRES - Parking & Itchen Bridge	Environment & Transport	(30)	(30)	(30)	(30)
23S143	Review/simplification of parking tariffs	CPRES - Parking & Itchen Bridge	Environment & Transport	(250)	(250)	(250)	(250)
23S16	Restructure the Property service area to remove long-term vacancies and conversion of interim posts to permanent positions	Property Portfolio Management	Economic Development	(20)	(20)	(20)	(20)
23S16	Restructure the Property service area to remove long-term vacancies and conversion of interim posts to permanent positions	Property Services	Economic Development	(350)	(350)	(350)	(350)
23S17	Review training and supplies budgets within the Property service area	Property Services	Economic Development	(15)	(15)	(15)	(15)
23S186	Look at options for energy cost efficiency and environmental benefit, through part night residential street lighting	Highways Contracts	Environment & Transport	(428)	(428)	(428)	(428)
23S19	Review property repairs and maintenance budget against essential spend criteria	Central Repairs & Maintenance	Economic Development	(140)	(140)	(140)	(140)
23S20	Relocate services from One Guildhall Square into the Civic Centre and rent out vacated space	Property Portfolio Management	Economic Development	(608)	(1,008)	(1,008)	(1,008)
23S205	Efficiency from Civic Centre energy controls	Facilities	Economic Development	(60)	(60)	(60)	(60)
23S209	Ensure appropriate application of contractual car user policy	City Services - Trees & Ecology	Environment & Transport	(1)	(1)	(1)	(1)
23S209	Ensure appropriate application of contractual car user policy	Home To School Transport	Children & Learning	(0)	(0)	(0)	(0)
23S21	Maximise capitalisation of Property staff time spent on capital projects	Property Services	Economic Development	(30)	(30)	(30)	(30)
23S212	Founding partner contributions to Cultural Trust to deliver City of Culture legacy will be made from existing budgets	Cultural Services	Leader	(43)	(30)		
23S22	Increase Property team's charge out hourly rates in line with salary increases	Property Services	Economic Development	(40)	(40)	(40)	(40)
23S26	Integrate the courier service with wider post room activities within the Civic Centre as part of the Business Support service review and new income generation opportunities	Transportation	Environment & Transport	(35)	(35)	(35)	(35)
23S27	Revenue savings from road safety review	Transportation	Environment & Transport	(19)	(19)	(19)	(19)
23S28	Review in Transport Policy studies budget	Transportation	Environment & Transport	(31)	(31)	(31)	(31)
23S30	Progression of the Coastal Partners partnership arrangement and reduction in Flood Team studies budget	Flood Risk Management	Environment & Transport	(22)	(22)	(22)	(22)
23S31	Review of the Green Cities studies budget	Air Quality Monitoring	Environment & Transport	(7)	(7)	(7)	(7)

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
23S32	Investigate options for an increase to the S106 administration fee	Planning	Economic Development	(5)	(5)	(5)	(5)
23S39	Review the Strategic Skills non-staffing budgets	Skills	Economic Development	(13)	(13)	(13)	(13)
23S80	Closure of the Civic Centre between the winter bank holidays to reduce building management costs (heating etc.)	Facilities	Economic Development	(8)	(8)	(8)	(8)
23S81	A restructure of the Facilities Management Team to realise efficiencies	Facilities	Economic Development	(50)	(50)	(50)	(50)
23S82	A reduction in available budget for equipment within the Facilities Management Team	Facilities	Economic Development	(31)	(31)	(31)	(31)
23S83	Spending less on external building security provisions with external providers	Facilities	Economic Development	(20)	(20)	(20)	(20)
23S84	Closing areas of Civic Centre office spaces on one day a week in line with demand to reduce building running costs	Facilities	Economic Development	(20)	(20)	(20)	(20)
23S85	Consolidation of building cleaning activities and resources under one contract to bring efficiencies / economies of scale including the Civic Centre	Facilities	Economic Development	(60)	(60)	(60)	(60)
23S9	Concessionary fares - reduced operator claims linked to reduced demand and payments on actual patronage	Transportation	Environment & Transport	(434)	(434)	(434)	(434)
23S99	Install additional solar compactor bins across the city and reduce open litter bins to enable more efficient collection, reduce scavenging by animals and rodents and prevent wind blown litter	City Services - District Operating Areas	Environment & Transport	(60)	(60)	(60)	(60)
Total Previously Agreed Savings - Place Directorate				(7,776)	(8,222)	(8,193)	(8,193)

Strategy & Performance and CEO Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S120	Efficiencies in Customer and Communications	Corporate Communications	Leader	(20)	(20)	(20)	(20)
21S125	Reduce planned recruitment in Policy, Projects and Performance	Projects, Policy & Performance	Finance & Change	(50)	(50)	(50)	(50)
22S43	Leaders Budget reduction	Strategic Management of the Council	Leader	(30)	(30)	(30)	(30)
23S174	Review agency staff spend in Intelligence, Innovation & Change Team	Data & Intelligence	Finance & Change	(40)	(40)	(40)	(40)
23S176	Review of policy related roles across the organisation to understand any synergies and whether additional income can be obtained through funding opportunities	Data & Intelligence	Finance & Change	(75)	(75)	(75)	(75)
23S177	Delete vacant post within Intelligence, Innovation & Change Team	Data & Intelligence	Finance & Change	(44)	(44)	(44)	(44)
23S58	Improve and automate business support processes as part of transformation programme	Projects, Policy & Performance	Finance & Change	(61)	(61)	(61)	(61)
23S8	Senior management restructure	Strategic Management of the Council	Leader	(358)	(358)	(358)	(358)
23S86	Generate income from outdoor advertising being managed on council land	Corporate Communications	Leader	(50)	(50)	(50)	(50)
23S87	Improve efficiency of printing across the organisation	Corporate Communications	Leader	(30)	(30)	(30)	(30)
23S88	Marketing and advertising activity efficiencies	Corporate Communications	Leader	(20)	(20)	(20)	(20)
Total Previously Agreed Savings - Strategy & Performance and CEO Directorate				(778)	(778)	(778)	(778)

Wellbeing & Housing Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S1	Review of Telecare Rental Charges	Adults - Long Term	Adult Social Care & Health	(34)	(34)	(34)	(34)
21S123	Maximising independence for people with Learning Disabilities	Adults - Long Term	Adult Social Care & Health	(470)	(470)	(470)	(470)
21S94	Improved use of appropriate lifting equipment to help reduce double handed care (two staff)	Adults - Long Term	Adult Social Care & Health	(240)	(240)	(240)	(240)
21S98	Exploring Community funding with alternative model	Grants to Voluntary Organisations	Communities & Leisure	(50)	(50)	(50)	(50)
21SZ3	Citywide cleaning due to Covid-19	Public Health - Management & Overheads	Adult Social Care & Health	(180)	(180)	(180)	(180)
22S22	St Mary's Leisure Centre closure	Leisure Contracts	Communities & Leisure	(148)	(148)	(148)	(148)
22S40	Adult Social Care - Contract Reviews	ICU - Provider Relationships	Adult Social Care & Health	(1,044)	(1,044)	(1,044)	(1,044)
23S142	Review need for vacant Community Safety Warden post	Community Safety, Alcohol Related Crime, CCTV	Safer City	(35)	(35)	(35)	(35)
23S145	Meet homelessness service staff costs from ringfenced grant funding	Housing Needs	Housing	(500)			
23S209	Ensure appropriate application of contractual car user policy	Adults - Reablement & Hospital Discharge	Adult Social Care & Health	(0)	(0)	(0)	(0)
23S209	Ensure appropriate application of contractual car user policy	ICU - Provider Relationships	Adult Social Care & Health	(3)	(3)	(3)	(3)
23S92	Use the results of the Association of Directors of Adult Social Services peer review to reduce costs for Adult Social Care continuing healthcare/S117 aftercare	Adults - Long Term	Adult Social Care & Health	(150)	(150)	(150)	(150)
23S95	Adult Social Care - shift to home first policy, avoiding need for residential placement	Adults - Long Term	Adult Social Care & Health	(473)	(473)	(473)	(473)
23S97	Adult Social Care - reduce agency staffing budgets/freeze vacancies	Adults - Adult Services Management	Adult Social Care & Health	(850)	(850)	(850)	(850)
23S98	Proposal for Public Health Grant to be invested in activities delivering wider public health outcomes (with Director of Public Health oversight)	Adults - Adult Services Management	Adult Social Care & Health	(500)	(500)	(500)	(500)
Total Previously Agreed Savings - Wellbeing & Housing Directorate				(4,677)	(4,177)	(4,177)	(4,177)

Other Inflationary Pressures

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21SGINF	General inflationary allowance	Financial Planning	Non-Portfolio	(500)	(500)	(500)	(500)
21SSINF	National pay award assumptions - budget at around level of inflation	Financial Planning	Non-Portfolio	(1,500)	(1,500)	(1,500)	(1,500)
23S1	Remove budget provision for Health & Social Care Levy	Financial Planning	Non-Portfolio	(1,131)	(1,131)	(1,131)	(1,131)
Total Previously Agreed Savings - Other Inflationary Pressures				(3,131)	(3,131)	(3,131)	(3,131)

Capital Asset Management

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S53	Debt saving to the General Fund by transferring land to the HRA as part of 1,000 homes	Financial Planning	Non-Portfolio	(107)	(107)	(107)	(107)
22S24	Capital Financing	Financial Planning	Non-Portfolio	(383)	(383)	(383)	(383)
22S56	Change in capital financing policy re new Code of Practice	Financial Planning	Non-Portfolio	(400)	(400)	(400)	(400)
23S140	Use on street parking surpluses to fund highways capital projects to reduce borrowing costs	Financial Planning	Non-Portfolio	(150)	(200)	(230)	(230)
23S182	Increase Treasury Management investment yield via longer term investing	Financial Planning	Non-Portfolio	(90)	(90)	(90)	(90)
23S207	Use of Community Infrastructure Levy instead of external borrowing	Financial Planning	Non-Portfolio	(600)	(600)	(600)	(600)
23S208	Use of internal borrowing via SCC own reserves and balances to offset as much external borrowing as possible	Financial Planning	Non-Portfolio	(1,800)	(1,800)	(1,800)	(1,800)
23S7	Capital financing impact of capital programme review in light of slippage/rephasing and programme amendments	Financial Planning	Non-Portfolio	(3,030)	(2,930)	(2,820)	(2,820)
Total Previously Agreed Savings - Capital Asset Management				(6,560)	(6,510)	(6,430)	(6,430)

Other Expenditure & Income & Centrally Held Allocations

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
21S51	Unallocated receipts over 2 years old	Financial Planning	Non-Portfolio	(30)	(30)	(30)	(30)
23S2	Review of vacancy assumption on salary budgets (by 1%) across the council reflecting the turnover in staff budgets and as and when vacancies occur to manage the use of resources flexibly	Financial Planning	Non-Portfolio	(1,246)	(1,246)	(1,246)	(1,246)
23S3	Review of budget provision for training, conferences and seminars etc reflecting new ways of working more remotely	Financial Planning	Non-Portfolio	(65)	(65)	(65)	(65)
Total Previously Agreed Savings - Other Expenditure & Income & Centrally Held Allocations				(1,341)	(1,341)	(1,341)	(1,341)
TOTAL PREVIOUSLY AGREED SAVINGS				(49,274)	(49,854)	(49,934)	(49,934)

PREVIOUSLY AGREED EXECUTIVE COMMITMENTS

Children & Learning Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22E5	Improve our health and learning for our children and adults across the city	Education & Learning	Children & Learning	150	150	150	150
Total Previously Agreed Executive Commitments - Children & Learning Directorate				150	150	150	150

Place Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22E10	Rebate on resident parking permit	CPRES - Parking & Itchen Bridge	Environment & Transport	13	13	13	13
22E12	Destination management	Cultural Services	Leader	100	100	100	100
22E7	Clean up our city - improving our parks, open spaces, waterfronts and city/district centres	City Services - District Operating Areas	Environment & Transport	300	300	300	300
22E8	Increased enforcement against fly tipping	CPRES - Environmental Health & Scientific Services	Safer City	120	120	120	120
22E9	Car Park charges	CPRES - Parking & Itchen Bridge	Environment & Transport	37	37	37	37
Total Previously Agreed Executive Commitments - Place Directorate				570	570	570	570

Wellbeing & Housing Directorate

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22E6	Leisure Strategy	Leisure Strategy	Communities & Leisure	69	69	69	69
Total Previously Agreed Executive Commitments - Wellbeing & Housing Directorate				69	69	69	69

Capital Asset Management

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22E14	Capital Financing for new initiatives	Financial Planning	Non-Portfolio	1,400	1,400	1,400	1,400
Total Previously Agreed Executive Commitments - Capital Asset Management				1,400	1,400	1,400	1,400

Council Tax

Reference	Description	Service Activity	Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
22E13	Freeze council tax charge for 1 year	Financial Planning	Non-Portfolio	2,253	2,314	2,314	2,314
Total Previously Agreed Executive Commitments - Council Tax				2,253	2,314	2,314	2,314

TOTAL PREVIOUSLY AGREED EXECUTIVE COMMITMENTS				4,442	4,503	4,503	4,503
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General Fund Reserves (excluding Schools Balances)

	Balance As At 31/03/2023	Forecast Balance As At 31/03/2024	Forecast Balance As At 31/03/2025	Forecast Balance As At 31/03/2026	Forecast Balance As At 31/03/2027	Forecast Balance As At 31/03/2028
	£M	£M	£M	£M	£M	£M
Medium Term Financial Risk Reserve	28.35	1.73	1.02	3.02	8.91	16.23
Organisational Redesign Reserve	0.00	2.00	2.50	2.50	2.50	2.50
Transformation & Improvement Reserve	0.00	3.17	4.84	4.84	4.84	4.84
Revenue Contributions to Capital	0.93	0.93	0.93	0.93	0.93	0.93
Social Care Demand Risk Reserve	0.00	0.00	0.20	0.20	0.20	0.20
Revenue Grants Reserve	5.43	0.00	0.00	0.00	0.00	0.00
Investment Risk Reserve	0.00	0.40	0.80	1.20	0.00	0.00
Portfolio Carry Forwards	1.34	0.00	0.00	0.00	0.00	0.00
PFI Sinking Fund	4.38	4.26	4.02	3.58	3.16	2.63
Insurance Reserve	2.00	2.00	1.30	1.30	1.30	1.30
On Street Parking	3.21	1.92	0.37	0.00	0.56	1.13
DSG Reserve	0.99	3.22	3.22	3.22	3.22	3.22
Other Reserves	2.96	1.45	0.81	0.59	0.51	0.54
Total Earmarked Reserves (excl. Schools Balances)	49.59	21.07	20.02	21.39	26.13	33.52
General Fund Balance	10.07	10.07	12.00	12.00	12.00	12.00
Total General Fund Reserves (excl. Schools Balances)	59.66	31.14	32.02	33.39	38.13	45.52

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Movements in Budget Shortfall - November 2023 MTFS Update to March 2024

Movements	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Budget shortfall as at November 2023	33,396	39,584	47,953	50,773
Changes to Unachievable Savings:				
Removal of previously reported unachievable savings	(189)	(189)	(189)	(189)
Review of fees & charges	480	480	480	480
Review and rebasing of Corporate Services budgets	117	117	117	117
	408	408	408	408
Changes to Budget Pressures:				
Cost of temporary accommodation for homelessness provision	2,150	1,550	1,550	1,550
Highways and street lighting contract pressures	1,899	1,834	1,842	1,842
Review and rebasing of Corporate Services budgets	751	722	924	924
Cost of Home to School Transport	753	1,082	1,503	2,048
Children's residential units	730	438		
Review of fees & charges	423	423	423	423
Supplier Management rebasing	315	500	684	684
Other changes	(99)	511	511	511
	6,923	7,060	7,437	7,982
Changes to Inflation (including adding an extra year)	(98)	(98)	(98)	5,990
Changes to New Proposed Commitments:				
Homes for Ukraine - continuation of scheme into 2024/25	340			
Capital financing costs - new projects	368	1,486	3,157	4,738
	708	1,486	3,157	4,738
Changes to Funding:				
Additional Social Care Grant	(2,311)	(2,311)	(2,311)	(2,311)
Changes to estimates for other general government grants	106	129	36	(63)
No increase in Settlement Funding Assessment assumed from 2025/26		1,929	3,235	4,506
Business rates reset assumed in 2026/27			2,586	2,638
Changes to Collection Fund estimates (including adding an extra year)	(162)	(97)	(41)	(4,419)
	(2,367)	(350)	3,505	352
Contingency:				
Release of contingency	(121)			
One-off Corporate Services costs met from contingency	121			
	0	0	0	0
Changes to One-off Sums - revision to 2023/24 Collection Fund Surplus	312			
Changes to transfers to/(from) reserves	(312)			
Changes to Savings Proposals:				
Review and refinement of previous savings proposals	3,217	2,913	2,913	2,913
New savings	(2,911)	(3,138)	(2,943)	(2,743)
	307	(225)	(30)	170
Revised budget shortfall	39,276	47,865	62,331	70,411

Numbers are rounded

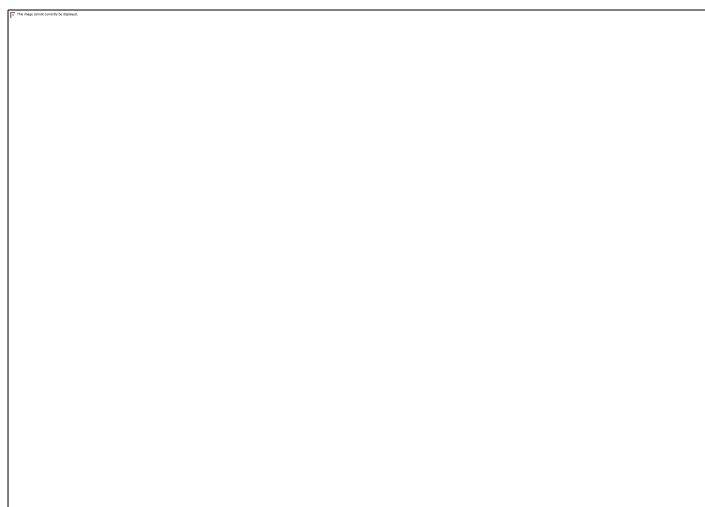
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HOUSING REVENUE ACCOUNT	2024/25 Budget £M	2025/26 Budget £M	2026/27 Budget £M	2027/28 Budget £M
Responsive & Cyclical repairs	25.05	25.75	26.31	26.69
Rents, rates, taxes and other charges	0.45	0.00	0.00	0.00
Debt management	0.09	0.10	0.11	0.12
Provision for bad or doubtful debts	1.00	1.50	1.54	1.57
Supervision & management	28.76	9.92	10.09	10.19
Special services	0.00	18.98	19.30	19.49
Interest & principal repayments	6.46	8.04	9.21	9.82
Depreciation	22.35	22.84	23.40	23.79
Capital expenditure funded by revenue	0.54	0.15	0.45	0.55
Total Expenditure	84.69	87.28	90.41	92.22
Dwelling rents	(80.29)	(83.09)	(86.03)	(88.73)
Other rents	(1.21)	(1.37)	(1.43)	(1.47)
Service charge income	(2.53)	(2.62)	(2.72)	(2.80)
Leaseholder service charges	(1.05)	(1.09)	(1.13)	(1.16)
Interest received	(0.11)	(0.11)	(0.11)	(0.10)
Total Income	(85.19)	(88.28)	(91.41)	(94.27)
Working Balance B/Fwd	2.50	3.00	4.00	5.00
(Surplus) /Deficit for the Year	(0.50)	(1.00)	(1.00)	(2.05)
Working Balance C/Fwd	3.00	4.00	5.00	7.05

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DRAFT

Southampton City Council
Customer Experience
Fair Collection and Debt Recovery Policy



Southampton City Council Customer Experience Fair Collection and Debt Recovery Policy



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Fair Collection and Debt Recovery Policy			
Version	V19	Approved by	Full Council
Date last amended	21/11/2023	Approval date	21/02/2024
Lead officer	Vanessa Shahani, Head, Income & Expenditure	Review date	Click here to enter a date.
Contact	vanessa.shahani@southampton.gov.uk	Effective date	Click here to enter a date.

Purpose

This policy sets out the general principles Southampton City Council will follow in collecting income for services we provide to residents and businesses, how we support those struggling to pay, and how we collect monies owed to us.

The charges that the council makes contribute towards its income and, in turn, this is used to provide a range of services for local people. In collecting this income, the council recognises that some people and businesses are in genuine financial hardship or need additional support to manage their finances and, wherever possible, this will be taken into account.

This policy applies to all income and debts. Its purpose is to ensure a consistent approach across the council and that billing, collection and recovery is managed in a fair, proportionate, cost-effective, consistent and sensitive way.

Legislative Context and other Related Documents

There is a wide range of legislation that the council has to follow. Examples include:

- The Data Protection Act 2018
- The Care Act 2014
- The Late Payment of Commercial Debts Regulations 2013
- The Equality Act 2010
- Civil Enforcement of Parking Contraventions (England) General Regulations 2007
- The Business Improvement Districts (England) Regulations 2004
- The Council Tax (Administration and Enforcement) Regulations 1992
- The Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989
- The Landlord and Tenant Act 1985

Different laws apply for different services. Each service will make sure that when they bill for goods or services or recover money that they follow the legislation for their area.

Due to the wide range of services provided it is not possible to list all relevant legislation or national standards in this policy.

There are also local strategies, policies and programmes that are relevant to this document:

- Council Tax and Business Rates (NNDR) Debt Recovery Policy – awaiting approval
- [Customer Access Strategy 2022-26](#)
- [Southampton Homelessness Prevention Strategy 2018-2023](#)
- [Enforcement Policy](#)

Principles, Aims and Commitments

Principles

The council will follow the principles outlined below:

- Our action will be **proportional**
- Our approach will be **consistent**
- Our actions will be **transparent**

Proportionality – Proportionality allows for balance to be struck between the costs of compliance/collecting the debt and potential loss of income to the council and the

Consistency - Consistency means taking a similar approach in similar circumstances to achieve similar ends. The council aims to achieve consistency in:

- The advice the council gives
- The use of our powers
- The recovery procedures used

The council recognises that consistency does not mean simple uniformity, officers need to take into account many variables such as:

- The social circumstances of the debtor
- The debtor's payment history
- The debtor's ability to pay

Transparency – Transparency is important in maintaining public confidence. It means helping customers to understand what is expected of them and what they should expect from the council. It also means explaining clearly the reasons for taking any recovery/enforcement action.

If action is required:

- the reasons why must be clearly explained, in writing
- time scales must be clearly stated; and
- a distinction must be made between advice and legal requirements

An opportunity will be given to discuss what is required to comply with the law before formal enforcement action is taken. A written explanation will be given of any rights of appeal against formal enforcement action either before or at the time the action is taken.

Where required, appropriate support such as the use of the Language Line facility will be made available as an aid to improving verbal communications with those customers for whom English is not their first language.

Aims

The aims of this policy are to:

- Encourage customers to make early contact with us to prevent arrears increasing and being fair, firm and consistent in our approach.
- Support customers who are in genuine financial hardship and struggling to pay e.g. by making early contact to prevent arrears increasing, offering a range of payment methods.
- Balance maximising income for Southampton City Council, while making sure we consider our customers other debts and liabilities when making arrangements for recovering the money they owe.
- Distinguish between customers who genuinely cannot pay and those who could afford to pay and tailor the action we take accordingly. This will include signposting to appropriate forms of support
- Promote access to advice and support.
- Maximise use of benefit take-up and discretionary funds where appropriate to help support customers on low incomes.

Commitments

To support these aims, the council is committed to:

- Ensuring communication is clear so that customers understand their bills, including if payment in advance is required, and know what action they need to take including due dates of payments
- Taking payment in advance where possible to reduce the risk of debt occurring.
- Providing a range of cost-effective payment options that are convenient for our customers.
- Taking into account a customer's personal circumstances when collecting money.
- Making sure that any payment arrangements are affordable.
- Intervening early to support customers falling behind with payments and seeking to make payment arrangements as early as possible in the debt recovery process.
- Considering the impact on customers of the consequences of any recovery options pursued, including their mental wellbeing and the proportionality of these.
- Pausing action for customers in the government's "Breathing Space" scheme (this gives people who are struggling time to seek support with their financial affairs. Appendix 2 has more detail about this scheme).
- Giving customers the opportunity to engage in mediation or other suitable alternative dispute resolution to discuss payment where possible/appropriate.
- Seeking to balance recovering the full cost of enforcement action with avoiding imposing unnecessary or excessive charges.
- Respecting a customer's privacy by conducting enforcement activity as discreetly as possible.
- Considering ceasing a service if payment terms are not agreed, for example the Licensing Act requires suspension of licences for non-payment.
- Reviewing and writing off debt as appropriate.
- Sign posting to free sources of money and debt advice.

Debt Recovery

Priority Debts: In some instances, customers will owe more than one debt to the council. The council has identified current rent, Council Tax and Business Rates arrears as priority debts for repayment. So where the council is made aware that a debtor owes multiple debts to the council, they will be considered in a priority order as follows:

- Current rent arrears.
- Council tax arrears.
- Business rates arrears.
- Other monies owed to the council.

The council recognises that there are other priority debts that it does not collect. These have been defined by Citizens Advice ([Work out which debts to deal with first - Citizens Advice](#)) and are:

- Mortgage arrears or secured loan arrears.
- Gas or electricity bills.
- Phone or internet bills.
- TV licence payments.
- Court fines.
- Overpaid tax credits.
- Unpaid income tax, national insurance or VAT.
- Unpaid child maintenance.
- Payment for goods bought on hire purchase or conditional sale (but only if the goods are really important, for example a fridge to store vital medicines).

This is not an exhaustive list. Other debts may be considered a priority depending on the circumstances. For instance, a benefit overpayment is classed as a priority creditor. Another example is a loan from an employer. This could be because it is deducted at source or could simply be that not repaying the loan could put their job at risk.

The Council will consider the person's circumstances, legislation, the level and priority of debt and the potential for financial hardship when engaging with someone with multiple debt.

Responsibilities of Customers who owe us money: The council expects residents or businesses who owe money to the council to:

- Pay amounts due promptly on or before the date that payment is due.
- Contact the council promptly if it is believed the amount charged is not correct.
- Inform the council promptly of any changes to their circumstances that may affect the amount to be paid or the ability to pay.
- Let us know as soon as possible if they are in genuine financial hardship and struggling to pay. This allows time for payment options to be discussed and agreed.
- Notify the council promptly if their address changes.

Arrangements made by advice agencies: Where an arrangement is proposed by a recognised advice agency, an Income and Expenditure form will normally be provided. Their offers received will be treated in good faith, subject to approval.

Recovery Process: When seeking to recover debt the council will take into account factors such as the individual's needs and their ability to pay.

The council will contact promptly in writing, within the appropriate legislative timescale, any person or organisation that fails to make a payment to inform them that the payment is overdue, the payment options available and the consequences of failing to pay. If payment or an arrangement for payment is not made, enforcement action will be taken. A written explanation of any rights of appeal against formal enforcement action will be given before or at the time the action is taken.

Recovery Options: The council will differentiate wherever possible between those who are financially vulnerable and cannot afford to pay and those who choose not to engage with the recovery process, using the most effective and appropriate recovery methods to recover the debt.

A range of recovery options will be used where arrangements to pay have broken down. The choice of recovery method will depend on a number of factors including the method available for a particular type of debt, but options include:

- Attachment of Earnings Order.
- Deductions from benefit.
- Enforcement agents.
- Insolvency (bankruptcy) action.
- Securing the debt by obtaining a charging order against assets.
- Making a money claim (a way for the council to start the County Court Judgement – CCJ – process).

Appropriate recovery action will be taken, taking into account the size of debt and cost of recovery action(s).

Where the debt is for an ongoing service provided by the council which the council does not have to provide (for example Trade Refuse) the council will stop providing the service until the debt is paid or an acceptable special payment arrangement is made.

Use of eviction from council properties will be a last resort and is governed by legislation.

Enforcement agents: The council appreciates the sensitivity attached to the use of enforcement agents. The council will seek to use enforcement agents only where it has determined that this is the most effective collection method for the debt in question. Any enforcement services will comply with the National Standards for enforcement agents.

Treatment of Costs: The council will seek to recover all costs and fees that are legitimately due from the debtor to the council or its agents. Only in cases where it would not be in the public interest to pursue costs/fees will they be waived. A distinction will be drawn between costs which are withdrawn because they were charged incorrectly and costs which are written off because they are considered to be irrecoverable under the guidance of this policy.

Staff and Councillors in Arrears: The council will use the information it holds on staff in relation to their employment to assist with recovery of employment-related debts and to make arrangements to clear the debt by salary deduction or Direct Debit. Staff and Councillors are expected to engage positively regarding paying the council what they owe.

National Disasters / Pandemic: In these instances, the Council will consider extraordinary measures and potentially implement additional support and take alternative approaches. Wider implications may include Government guidance and changes to legislation at short notice.

Debt Write-Off: The council will take all necessary action to recover what is due. If a debt remains unpaid, after exhausting all appropriate recovery methods, the debt will be written off. We will consider writing off a debt on hardship grounds where there are exceptional circumstances.

Complaints Procedure: When correspondence between the customer/business and the responsible service area fails to rectify any grievance or dispute and the customer wishes to make a complaint regarding the way in which the council has attempted to collect a debt, they will be informed of the council's complaints procedure and will be given assistance to register that complaint.

Governance

Monitoring and Performance Measures:

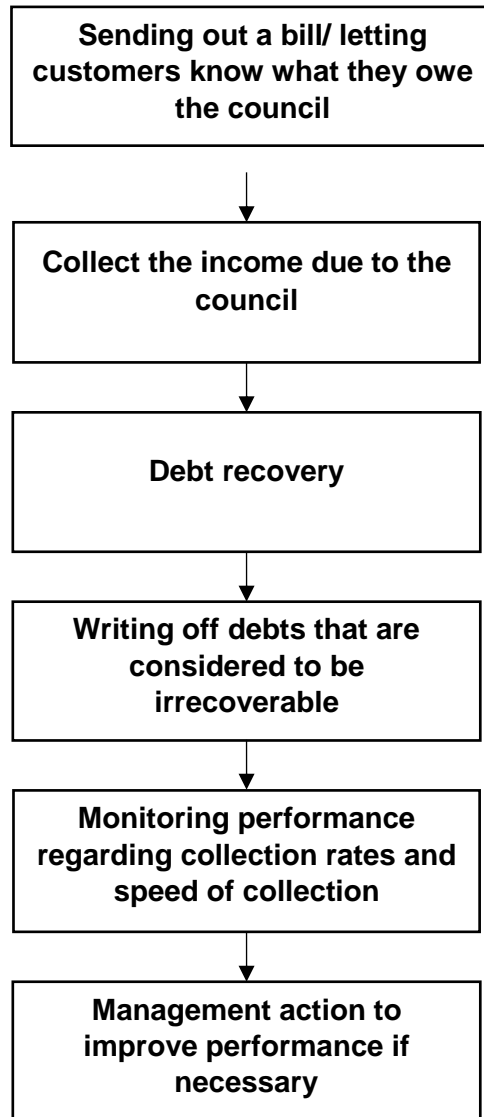
- The monitoring of debts for the authority is undertaken through the use of Performance Indicators which are submitted on a monthly basis for consideration by the Executive Management Team
- The performance targets are set annually by the relevant Head of Service and Director and regularly reviewed throughout the course of the year.
- The performance targets are also reviewed by the Executive Management Board and Cabinet. Where performance is deemed to be underperforming actions will be agreed to rectify this.

Review of this Policy: This policy will be reviewed every two years or more often if a change of circumstances demands this.

[END]

Appendix 1 – High level debt process

There is a range of legislation underpinning recovery of different types of debt the council needs to collect. This means the detail of the process will vary. However, the flow chart below shows the various stages at a high level.



Appendix 2 – General Procedures

Income Collection/Customer Payments

Payment Options: The council recognises the need to make it as easy as possible for customers to pay their bills. Where payment can be taken before a service is provided these cases are to be identified and payment taken in advance, ensuring that no debt is raised in these cases. When this is not possible and a debt is raised, the easier it is to pay the more likely it is that payment will be made.

Direct Debit is the easiest payment method for customers and is the most efficient for the council which helps keep the cost of collection as low as possible. Where appropriate we will propose Direct Debit as the default method of payment to all customers unless they are unable to pay this way.

Where a customer is unable to pay by Direct Debit or it is not appropriate (e.g. for a 'one off' bill or where the flexibility of a Standing Order is required) we will provide a choice of convenient methods of payment.

Prompt and Accurate Billing: The council recognises that prompt invoicing and billing is important. The council will produce clear bills showing:

- What the bill is for and the period of liability.
- The amount due and, where appropriate, the instalment amounts and payment due dates.
- How to make a payment.
- The contact points for enquiries about bill content and negotiating repayment plans.

Payment Arrangements: Payment arrangements will take into account:

- The date the person receives income.
- The method and frequency of agreed payments.

Monitoring payment arrangements:

- All payment arrangements will be closely monitored.
- Further recovery action may be taken in respect of late or missed payments.
- The responsibility for making sure that payment reaches the account by the due date remains with the customer.
- The customer will be reminded that the date on which instalments are due to be paid is the final date on which money should reach the account. This means that customers must allow sufficient time for the payment to reach the council by the due date.

When payment arrangements are not maintained: It is important to ensure that where arrangements have not been maintained, prompt action is taken by the customer to try and bring the arrangement back up to date. If the customer's circumstances have changed, they will be encouraged to contact the council to alter the agreement.

When a customer defaults on an arrangement, we will send a written notice advising them of the need to take action. This will provide the person with the opportunity to bring the arrangement up to date or advise the council of a change in circumstances.

Although the council will ideally require the original agreement to be brought up to date within a short time scale, if there has been a significant change in circumstances it will be possible to negotiate a new arrangement.

Maintaining current instalments: When negotiating arrangements for payment, staff will ensure that current instalments and weekly rent are being maintained i.e. the arrangement will be in addition to and conditional on, the current council tax, weekly rent, business rates, or other council debt being paid.

Prevention of debt and arrears and early intervention and support

Avoiding Debt: The council's aim is to prevent excessive debt. Where possible, the preference is to charge for services through prepayment. Services that cannot be charged through prepayment will be invoiced or billed in line with statutory requirements and where debts remain unpaid customers will be signposted to money and debt advice services. We recognise that some individuals may require a more sensitive approach for example in the case of a recent bereavement, major illness or where they need additional assistance in managing their financial affairs.

Government's Breathing Space Scheme: The Government introduced new legislation on 4 May 2021 called The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020, the core principles being:

- To provide legal protection for individuals in problem debt.
- Normal Breathing Space Moratorium that will last for 60 days.
- The Mental Health Breathing Space Moratorium to last as long as the individual is receiving mental health crisis treatment.
- Requirement for creditors to cease action on qualifying debts.
- Requirement for creditors to conduct a reasonable search for all debts owed by the customer.

In order to access Breathing Space the client needs to be working with a debt advisor, they are unable to access the service directly. There are two types of Breathing Space: a standard breathing space and a mental health crisis breathing space.

A standard breathing space is available to anyone with problem debt. It gives the customer legal protections from creditor action for up to 60 days. The protections include pausing most enforcement action and contact from creditors and freezing most interest and charges on debts.

A mental health crisis breathing space is only available to a customer who is receiving mental health crisis treatment. If an Approved Mental Health Professional (AMHP) certifies a customer is in mental health crisis treatment, the customer or someone else can ask for a mental health crisis breathing space on the customer's behalf. The mental health crisis breathing space has some stronger protections than the standard breathing space. It lasts as long as the customer's mental health crisis treatment, plus 30 days (no matter how long the crisis treatment lasts).

For these purposes, 'receiving mental health crisis treatment' means that the individual:

- Has been detained in hospital for assessment or treatment (including under part 3 of the Mental Health Act 1983);
- has been removed to a place of safety by a police constable;
- or is receiving any other crisis, emergency or acute care or treatment in hospital or in the community from a specialist mental health service in relation to a mental disorder of a

serious nature. This can include services offered by community mental health services and crisis houses.

Contact with Customers: The council works with money and debt agencies to support individuals in debt or with financial vulnerability.

Activities will include:

- The increased use of multi-channel communication technologies including video calls and text messaging.
- Where possible, outreach teams will make outbound telephone calls and visit from a welfare and support perspective. This approach can be particularly targeted at those customers identified to be in crisis or at financial risk.
- In appropriate cases consult with Social Services or other agencies.
- Assistance with money management.
- Making provision for payment holidays, remission processes, longer collection timescales and other alternative collection strategies.
- Promotion of the services of qualified money and debt advisors.

When customers get into debt we will:

- Make sure that payment arrangements reflect our customers' ability to pay as well as the amount they owe (except where legislation requires a different approach).
- Enable customers who experience change, even after an arrangement has been made, to vary their payments in line with those changes.
- Not take the next step in the recovery procedure if agreements are being met.
- Make sure that when we have to process a non-payment, the action we take is both appropriate for the individual and likely to be effective.
- Acknowledge and respect a persons' obligations to his or her dependants and recognise the need for a person to maintain a reasonable standard of living.
- Expect Priority Debts to be given precedence over other money owed.
- Acknowledge the role of the recognised advice agencies and treat offers made on behalf of their clients in good faith.

Assessing Ability to Pay: In pursuing debt recovery, the council will act in accordance with statutory regulations and guidance. It is imperative that the council's approach to debt recovery is responsible and responds to the financial vulnerability of residents.

The council will take into account individual circumstances. It is important that any assessment takes into account deductions from benefits, attachments of earnings and the possibility customers may be using payday and doorstep lenders or have illegal money arrangements (loan sharks). If these circumstances apply, referrals will be made to the national [Illegal Money Lending Team](#).

The council supports a common approach to supporting customers to meet their priority debts. The aim is to support customers to prevent excessive debt rather than advocating against action being taken once the debt has accrued. To develop and maintain a consistent approach, the council will provide briefings and training on debt awareness and money management skills to frontline staff, promote information and weblinks on how customers can help themselves (debt toolkit) and where to get expert advice (local and national).

The council's Welfare Rights and Money Advice Unit uses the Standard Financial Statement (SFS) <https://sfs.moneyadvice.service.org.uk/en/what-is-the-standard-financial-statement> as a standard

income and expenditure statement to be used in assessing debtors' ability to pay. Other services within the council are aligned with the SFS in agreeing what is affordable to pay. This brings a greater degree of consistency to advice and smoother transition through the process for consumers, advisers and creditors. This ensures there is a consistency across the council and with independent debt charities, through using this common tool to assess debt, ability to repay and level of repayments.

Benefit Take-Up and Discretionary Support: The council will take an active role in promoting the take-up of welfare benefits and discretionary support. Where appropriate, the council will provide information on welfare benefits, entitlement and how to claim (for example promoting online benefit calculators, welfare web pages, online claim forms, links to the Department for Work and Pensions) and signpost to local and national welfare advice providers. The council will make every effort to encourage customers to claim benefits they are entitled to and access discretionary support available (for example Discretionary Housing Payments).

Advice and Support: The council will encourage customers to self-help where appropriate and has developed a local 'Debt Toolkit' [Help with debt \(southampton.gov.uk\)](https://www.southampton.gov.uk/help-with-debt) to assist with this. Staff in direct contact with customers will signpost them as to where they can get free, independent advice from local and national debt advice providers.

Priority and multiple debts: The council recognises that some customers will experience financial difficulty either for short or longer periods. Customers who find themselves in debt will often have multiple debts and often experience a spiral of debt that affects entire families, life quality, and becomes a way of life.

Priority debts will be taken into consideration when making an arrangement to pay. It is recognised that customers with multiple debts may not only have arrears with the council, but also other organisations, for example utility companies. This will be taken into account when discussing and negotiating payment arrangements. Customers will also be signposted to assistance in managing debt.

It is recognised that in the absence of a system which provides a 'Single View of Debt' that this will be difficult to establish if the information is not voluntarily given by the customer.

Financial vulnerability: The council recognises that some members of the community may be more financially vulnerable than others and, therefore, may require additional support in dealing with their financial affairs. Vulnerability does not mean that a person will not be required to pay amounts they are legally obliged to pay. The Financial Conduct Authority (FCA) defines a vulnerable customer as, "someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care" and in specific reference to financial resilience considers factors such as being on a low income and having little or no savings to fall back on if experiencing a financial shock.

This is echoed by [The Urban Institute](#), which explains that "financial wellbeing is multifaceted—reflecting people's ability to manage daily finances, resilience to economic shocks (such as an income drop or unexpected expense), and capacity to pursue financial opportunities to move ahead".

Where a person is recognised to be financially vulnerable consideration will be given to:

- Allowing longer to pay period.
- Postponing enforcement action.
- Assisting the person to claim benefits, discounts or other entitlements.

- Referring the person to sources of independent advice.
- Providing information in an accessible format.
- Agreeing a temporary payment arrangement with lower repayments than would normally be agreed.

Extenuating circumstances will be taken into account when considering recovery action in order to protect people who are financially vulnerable. Appropriate measures will be assessed on a case-by-case basis.

For business debts considerations may include:

- Potential loss of employment for employees of the business.
- Loss of key facilities for the local community.
- A payment option is the only choice because the business has no assets.
- Consideration to any relief that may be appropriate.

Obtaining details: Staff will try to get as much detail as possible of a persons' circumstances to enable the council to make the best assessment of their ability to pay.

If a person refuses to divulge any information, this will not be used as a reason for refusing to make an arrangement. However, they will be advised that this could lead to a higher rate of payment being required than if their circumstances were fully assessed.

Documentary Evidence: In some cases it will be necessary to request documentary evidence to confirm particular details when arriving at a payment arrangement. Customers will not, however, be asked for documentary evidence unless it is absolutely necessary.

Where it is necessary, the person will be told of the particular items that require confirming and will be given a specified, reasonable time limit within which they are required to provide the documents. If it is easier for the person, arrangements will be made for the documents to be confirmed either by the council or a recognised advice agency.

The person will be advised that if the evidence is not produced within the agreed timescale, the offer of payment may be rejected, and further action could be taken.

Tracing: As part of the recovery process a number of traces and searches will be carried out to try and establish further information on a customer to try to secure payment. This is particularly useful when we have no forwarding address for someone who has moved home before settling a debt. This will include checking internal and external sources of information and sharing information with other authorities and using tracing agents as appropriate.

Refunds: The council will not refund any overpaid monies where the customer owes other monies to the council. When a customer is also a supplier to the council, the council retains the right to offset any overdue debts against any monies owed to the supplier.

[END]

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**Southampton City Council
Council Tax and Business Rates
Recovery Policy**

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DRAFT

Purpose of our recovery policy

We recognise that the majority of Southampton residents and businesses pay their Council Tax and Business Rates promptly. We use this money to provide essential services to local people and businesses.

This policy exists to explain how we will collect both Council Tax and Business Rates debts so that:

- Residents and businesses who owe money know what is happening and why, and
- People who pay their Council Tax or Business Rates promptly have confidence that we are committed to recover money owed to us.

- This policy complies with the key legislation covering both Council Tax and Business Rates recovery including:-
 - The Local Government Finance Act (1988)
 - Council Tax (Administration and Enforcement) Regulations 1992
 - The Non-Domestic Rates (Collection & Enforcement) Regulations
 - SI 1989/1058 and the Tribunal Courts Enforcement Act (2007)

We will

- explain what you need to pay and by what date
- promote easy payment methods, to prevent recovery action being necessary.
- explain at every stage of the recovery process why action is being taken and what will happen if the debt is not paid. This information will be provided in the documents we send requesting payment. A summary of all our recovery methods (this document) will be published on the Southampton Council web site. It will be in clear and simple terms and will not resort to legal jargon. Paper copies of all recovery policies will be available on request.
- ensure that before we start a recovery process with serious consequences, we have exhausted all other methods of debt collection.
- publicise debt advice to all residents and businesses not just those with arrears, to help those in financial difficulty before arrears build up.
- review this policy annually. If there are changes in legislation relating to Council Tax or Business Rates that affect the recovery process, this policy may be reviewed as their effects become apparent.

Background

This policy relates to collection of Council Tax and Business Rates. This money is collected by Southampton City Council.

The debt recovery process is split into three parts. These are explained in detail in the policy statements later in this document.

The first part, up to and including granting of a liability order, is based on statutory legislation.

The granting of a liability order by a Magistrates Court allows us to take further recovery actions. These are individually assessed and form the second part of the recovery process.

If these recovery processes are not successful, we will consider further recovery options set out in the third stage of this policy.

Our recovery measures get more serious the longer an individual or business customer avoids or ignores our attempts to make contact. The easiest way to resolve the situation is to speak to us, discuss your debts and make a payment arrangement.

Arrangements will take into account the affordability and sustainability of payments. Wherever possible we attempt to recover a debt within the financial year it relates to. This prevents debts building up and being carried forward to subsequent years. Where this is not possible, we will try to reach an agreement that allows the payment of the current financial years bill plus an affordable amount off any arrears.

Stage 1: Recovery processes up to and including liability order stage

Bill

Bills are sent annually in March each year for the following financial year, starting in April. We also send out amended bills throughout the year where there have been changes to accounts.

We promote direct debit. This is the most efficient form of payment for the Council and for taxpayers. We offer a range of other ways to pay including over the phone, online and Standing Order/BACs transfer. If due to your personal circumstances the standard payment dates are not suitable, please contact us and we will look at alternatives.

Reminder

If you miss an instalment, we will send you a reminder notice. This gives you 7 days to pay the overdue amount. Failure to do so results in your right to pay by instalments being lost, and the full remaining balance for the year is then payable within a further 7 days for council tax or 14 days for business rates. By law we only have to issue one reminder a year; however in practice if residents or businesses miss the next instalment, Southampton City Council chooses to send another reminder to give every opportunity to pay.

Final notice

If you miss a further instalment in the year, the right to pay by instalments is lost. A final notice will then be issued for the full remaining balance payable within 7 days for council tax or 14 days for business rates.

Summons & liability orders

If you do not pay in accordance with your reminder or final notice, a summons is requested from the Magistrates' Court.

We will add the cost of raising the summons to your bill.

At the court hearing, we must satisfy the Magistrates that we have followed the relevant legislation correctly. We must also confirm that you are liable for either Council Tax or Business Rates and that the debt is outstanding. If the Magistrates' Court is satisfied with the evidence we present, they grant a liability order. A Liability Order enables the Council to proceed with further recovery actions as detailed in Stages 2 and 3 below

Stage 2: Recovery processes beyond liability order stage

For Council Tax debt only:-

Attachment of earnings

If you are working and the council is aware of your employment details, we can ask your employer to take money from your salary or wages to pay your debt. The amount they take depends on how much you earn. The amount of the deductions is set in legislation.

Deductions from benefits

We can ask the Department for Work and Pensions to make deductions from your Universal Credit, Pension Credit, Income Support, Jobseekers Allowance or Employment Support Allowance. The amount of the deductions is set in legislation.

For both Council Tax and Business Rate Debts:-

Actions by bailiffs/enforcement agents

In 2014 the government introduced new laws to regulate the work of debt collection companies. The new laws refer to debt collectors and bailiffs as 'enforcement agents'. In keeping with these regulations, we now use this term to describe debt recovery companies that we employ.

All enforcement agents we employ are certified through the County Court and follow a national code of conduct. A summary of the fees they charge can be found [here](#)

We may instruct enforcement agents to collect your outstanding Council Tax or Business Rates debt if you:

- make a payment arrangement and do not make the agreed payments; or,
- you do not make a repayment arrangement with us.

When enforcement agents receive our instruction, they will contact you by letter or phone asking you to either pay in full or contact them to discuss a suitable payment arrangement. When they receive our instructions, they will add a set fee to your debt.

If you ignore the contacts from the enforcement agents, they will visit you at your business or home address. This visit will incur a further set fee. They will not add further costs for additional visits.

When the enforcement agent visits you, they will ask for payment in full, including all their costs. If you cannot pay the amount due in full immediately, they may agree a payment arrangement. To provide security the enforcement agent will make an inventory of goods that can be sold to repay the debt if you do not keep to your arrangement. This is called a 'controlled goods agreement'.

If your goods are subject to a controlled goods agreement, you cannot move or sell them without the enforcement agent's permission.

If you fail to pay as arranged and you have signed a controlled goods agreement, the enforcement agent may re-enter your property, to take the goods listed on the inventory. You will be charged a

sale fee if goods are removed and sold plus other costs such as auctioneer's fees. This can add a significant amount to the costs that you will be liable for.

If a debt has been passed to enforcement agents and you pay us without including their fees, then they will continue to recover their costs from you.

If the enforcement agent cannot identify sufficient goods to clear the debt, or cannot gain lawful entry to your property, they will send a certificate to us to confirm that they have been unable to recover the debt.

Stage 3: Final recovery options

In most cases the following recovery options will only be considered if the remedies above have proven ineffective. In certain cases the Council might choose to move to Stage 3 earlier. Such action will be considered on a case by case basis.

Before we consider one of the following three options we will have:

- confirmed that your liability for Council Tax or Business Rates is correct;
- made all reasonable efforts to check that you are not entitled to any discounts or exemptions,
- made all reasonable efforts to contact you by letter, phone, e-communications or visits to your address;
- investigated your financial situation by checking some/all of the following:
 - any Council held records, including enforcement agents records and any history of payment arrangements or payments received.
 - HM Land Registry records.
 - a credit reference agency, for information about outgoings and requests for finance, credit, or mortgages.
 - Companies House records.
 - Council house sales records
 - Any known or potential employment details

We will consider the relationship between the size of the debt and the amount of costs that will be incurred in making a decision about what action to take

In addition, the following will also be taking into account when considering the recovery options

- as a result of age, severe mental illness, disability, or extensive learning difficulties, you cannot be expected to deal with your own affairs.
- If you are the main carer for a person with a disability
- whether you are in receipt of or are awaiting outstanding benefit claims (including Council Tax support)
- assessing if there is no realistic prospect of recovering the debt by other means in a

reasonable timescale.

- any other circumstances which you believe are exceptional and affect your ability to pay your debt.

In all cases, we will advise you to seek independent legal advice if we contact you about any of the three following processes.

Insolvency/Bankruptcy/Winding Up

This is an extreme form of recovery and will only be considered in exceptional circumstances where the council funds are at risk or other forms of recovery have failed. If you are made bankrupt or your company is placed into liquidation the matter will rest with the Insolvency Service under the provisions of the Insolvency Act 1986. Your home, business and other assets will be at risk of sale to meet the debts of all your creditors.

If you are made bankrupt or your company is placed into liquidation the matter will rest with the Insolvency Service under the provisions of the Insolvency Act 1986. Your home, business and other assets will be at risk of sale to meet the debts of all your creditors.

The insolvency rules require that any debt owed by an individual must be for £5,000 or above (or £750 for a limited company). However, given the nature of this form of recovery this will only be considered if:

- The debt is in excess of £5,000.
- It appears that there are sufficient assets to pay the debt.
- All other recovery has failed.

The first stage of the insolvency process is to issue a Statutory Demand requesting payment be made within 21 days from the issue of the demand. This provides a further opportunity to make an arrangement for payment or query the account. If you fail to make contact on the issue of the Statutory Demand, an application will be made to the Court for a bankruptcy order

For personal debt, we may decide to take insolvency/bankruptcy action against you in the County Court if the total debt you owe us is more than £5000. If the Court declares you bankrupt, you could lose your home and possessions to pay the debts and have to pay significant additional costs on top of the debt owed to us.

We will send you a letter warning of the proceedings we are going to take and give you a last chance to pay. If you do not pay the full amount outstanding including costs or agree an acceptable payment arrangement, we will serve a Statutory Demand on you. This is the first formal stage in a process that may lead to bankruptcy.

If you do not pay the full amount outstanding including costs or agree an acceptable payment arrangement after the service of a Statutory Demand, or if the court does not set your case aside, we will then serve a bankruptcy petition.

The Official Receiver will then be appointed, and you will no longer have control over your assets. You may find it extremely difficult to obtain credit in the future.

For company debts, in respect of Business Rates, over £750, we may initiate court proceedings

for winding up of the company. This is also known as a compulsory liquidation. If the petition is successful, the company's assets will be sold to help pay its debts.

Charging orders

If the combined balance of your debts owed to us is over £1000 and you own a property, we may apply to the County Court for a charging order to be placed on it.

This charge will be placed on the land registry records and will affect your credit rating. You will also incur substantial additional costs and court fees and may find it difficult to sell the property

This affects your credit rating, and you will also incur additional costs and court fees.

If a charging order is granted it gives us two options:

- recover the debt and interest from the proceeds of sale if the property is sold at a later date; or,
- ask the County Court to evict you from the property and enforce its sale to recover the money owed.

Committal to Prison Proceedings

If the debt is not cleared even after enforcement action (for example there were insufficient goods to remove or the enforcement agents were unable to gain entry), then a committal summons can be issued.

The council tax payer on the liability order will then be required to appear in court and give details, under oath, of their financial details. Failure to appear at court will result in an arrest warrant being issued. If the Magistrate believes that there has been wilful refusal or neglect to pay then the council tax payer can be sent to prison for up to 90 days. The court can also place an order to pay the outstanding debt over a fixed period of time.

It would be wise to contact us before your arrears reach this stage.

Costs

We charge fees because it costs us to take legal action to recover debts. These costs are added to your Council Tax or Business Rates debt, as appropriate. We then recover them together with your original debt.

The costs we charge are made up of payments we have to make to either the Magistrates Courts or County Courts, and what it costs us to carry out the recovery work.

External companies such as Enforcement Agents charge their own costs, which are payable to them. Enforcement Agents are regulated and have to charge the same costs.

Details of current costs can be found [here](#)

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General and Earmarked Revenue Reserves Policy

Introduction

1. The Council holds revenue reserves to provide cover for risks and unforeseen events, to meet known or predicted requirements and to manage timing differences in funding. Reserves form a key part of the council's financial resilience and maintaining its financial sustainability.
2. The Council operates three funds – the General Fund, the Housing Revenue Account (HRA) and the Collection Fund. The HRA relates to the provision and maintenance of council housing and operates on a self-financing basis. The Collection Fund relates to the council acting as a billing authority for Southampton in the collection and distribution of council tax and business rates. All other activities of the council sit within the General Fund. This reserves policy is for the General Fund.

Legislative Framework

3. The council is required to set a balanced budget each year under Section 31A of the Local Government Finance Act 1992, which includes having regard to the level of reserves needed for meeting estimated future expenditure when calculating the council tax requirement.
4. Section 151 of the Local Government Act 1972 requires each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer (also referred to as the section 151 officer) has responsibility for the administration of those affairs.
5. Under section 25 of the Local Government Act 2003, the S151 officer has a duty to report on the robustness of estimates and adequacy of reserves when the authority is considering its council tax requirement.
6. Section 114 of the Local Government Finance Act 1988 requires the S151 officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
7. Section 26 of the Local Government Act 2003 gives the Secretary of State a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.

Types of Reserve

8. The council holds two types of revenue reserve:
 - i. General Fund Balance – this operates as a working balance to manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and to provide a contingency against emerging events or emergencies. CIPFA recommend a minimum balance of 5% of net revenue expenditure.

- ii. Earmarked Reserves – These are sub reserves/earmarked portions of the General Fund Balance and are used as a means of building up funds for use in a later financial year for known or predicted requirements. Table 1 sets out different types of earmarked reserves the Council may hold.

Table 1 – Types of Earmarked Reserves

Type of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future financial years, it is prudent to set aside resources in advance.
Insurance Reserves	Where self-insurance mechanisms are used, in the absence of any statutory basis, sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the definition of a provision.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure. Eg Building Control
Reserves retained for service directorate use	Authorities may have internal protocols that permit year-end under-spending to be carried forward.
Reserves established to manage corporate priorities	It may be necessary to set up earmarked reserves to manage specific across directorate priorities including transformation, responses to cross directorate policy issues, authority infrastructure etc.
Reserves for unspent revenue grants	Where revenue grants have no conditions or where the conditions are met, and expenditure has yet to take place.
Schools' Balances	These are unspent balances of budgets delegated to individual schools.
General contingencies to manage risk	Although various reserves may be established to manage individual risks, chief finance officers may want to establish contingencies to manage corporate risks including areas of high demand or need, the treatment of inflation and interest rates, property management, the treatment

	of planned efficiency savings/productivity gains, likelihood of incidents such as flooding etc.
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Source: CIPFA Bulletin 13

9. Earmarked reserves are reported separately but remain legally part of the General Fund. As the statutory reserve is the General Fund Balance, it is possible within this balance for earmarked reserves to have debit balances. The council will only permit debit balances for earmarked reserves relating to statutorily ring-fenced sums, e.g. Schools' Balances.

Assessing the Adequacy of Reserves

10. To assess the adequacy of the General Fund Balance the S151 officer will carry out a risk assessment taking into account the strategic, operational and financial risks facing the council and the impacts they would have on the council's spending if they were to materialise. This risk assessment will be in the context of the council's overall approach to risk management and have regard to the council's risk register and medium term plans. The appropriate level of reserves to be 'adequate' is therefore not absolute, either as a £ amount or percentage of the budget but will vary depending upon the degree of financial risks faced.
11. In assessing the level of General Fund Balance in formulating the Medium Term Financial Strategy (MTFS) and annual budget, the S151 officer will consider the key financial assumptions underpinning the budget. Table 2 sets out the significant budget assumptions that are relevant when considering the adequacy of reserves.

Table 2 Budget assumptions and management assessment of impact on financial position

Budget assumptions	Financial Position and management assessment of impact
The treatment of inflation and interest rates	The overall financial position of the authority (level of borrowing, debt outstanding, council tax collection rates etc). Rises in the prices of some commodities, eg fuel and energy, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium-term plans. Authorities will also need to take into account changes in the property market, and adjust estimates and assumptions for reserves accordingly.

The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.
The treatment of planned efficiency savings/productivity gains	The strength of the financial information and reporting arrangements. The authority should also be able to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements. Reserves may also need to be established to manage commercial risks where authorities have invested in commercial properties
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.
The general financial climate to which the authority is subject	External factors, such as future funding levels expected to be included in Spending Reviews and expected referenda principles and limits, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.

Source: CIPFA Bulletin 13

12. A review of the levels of earmarked reserves will be undertaken in formulating the MTFS and annual budget. This will help inform the level of General Fund Balance required.
13. The S151 officer will advise on the adequacy of reserves over the lifetime of the MTFS, taking into account the expected need for reserves in the longer term. As reserves are one-off in nature, revenue reserves will not normally be deployed to finance recurrent expenditure. Where such action is to be taken this will be made

explicit, and an explanation given as to how such expenditure will be funded in the medium to long term.

SCC Earmarked Reserves

14. Table 3 sets out the existing earmarked reserves held by the council, together with their purpose and how they can be used. All earmarked reserves will be reviewed at least annually to ensure that they are still appropriate, relevant and adequate for the intended purpose.
15. The S151 officer can allocate sums of any value to or from reserves, following the relevant consultation, in accordance with Financial Procedure Rules.
16. Any new earmarked reserves or change in purpose of earmarked reserves require Cabinet approval, upon recommendation from the S151 officer.

Table 3 SCC Earmarked Reserves

Reserve	Purpose/Use
Medium Term Financial Risk Reserve	Sums set aside on a non-recurrent basis to mitigate risks of changes to the local government funding system, volatility of local taxation, demand pressures and the potential for savings to be delayed. In addition, sums may be set aside in the reserve to pump prime transformation or invest to save measures, to meet the financial costs of redundancies as a result of organisation design changes and for other one-off corporate requirements. Examples of the latter may include to meet school deficits upon transfer to academy status and fluctuations in value of pooled investment funds (once the statutory requirement for these to be held in an unusable reserve ends in March 2025). This reserve is the first call on the council's resources to deal with any unforeseen in-year expenditure if the centrally held contingency budget insufficient. Any outturn surpluses will be credited to this reserve.
Revenue Contributions to Capital Reserve	Sums set aside from the revenue budget to finance capital expenditure. To be used in line with planned financing of the capital programme or as a replacement for capital receipts if

	disposal proceeds are delayed or reduced.
Revenue Grants Reserve	For the carry forward of revenue grants that have no conditions or where the conditions are met, and expenditure has yet to take place, in accordance with recommended accounting practice.
Directorate Carry Forwards Reserve	Carry forward of budget underspends as approved by Full Council in accordance with Financial Procedure Rules. Where the overall outturn for the General Fund is a net deficit no budget carry forwards will be permitted. Budget carry forwards for individual directorates will only be permitted where the directorate has an underspend at outturn. This is in line with the cash limited operating model
PFI Sinking Fund	The reserve holds surplus PFI grant for use in meeting future contract liabilities and additional costs that might arise from reviewing or restructuring the council's PFI arrangements.
Insurance Reserve	This reserve holds monies to meet the potential cost of liability claims against the council, including motor and third party injury, however, there is no commitment on the council to pay the claim.
On Street Parking Account	It is a legal requirement to set aside surplus income from on street parking to be used in future years in accordance with the Road Traffic Regulation Act 1984.
DSG Reserve	The reserve holds in-year underspends on the Dedicated Schools Grant (DSG) to be used in future years. Cumulative and in-year overspends on DSG are held in an unusable reserve (DSG Adjustment Account) in accordance with regulations (the statutory override ends in 2025/26)
Schools' Balances	The scheme of Local Management of Schools (Education Reform Act 1988) requires the carry forward of individual schools' surpluses and deficits.
Other Reserves: For asset purchases: - Solar PV Sinking Fund Reserve	To build up funds for the replacement of solar panels.

<ul style="list-style-type: none"> - Cremator Replacement Reserve 	<p>To build up funds for the replacement of the cremator at the crematorium.</p>
<p>Ring-fenced sums:</p>	
<ul style="list-style-type: none"> - Bus Lane Enforcement Reserve 	<p>The reserve holds any surplus from drivers illegally using bus lanes. In accordance with legislation the reserve can be used to repay the General Fund for any deficits incurred in the preceding 4 years, to meet costs in providing or operating public passenger transport, or used to fund highways improvement projects.</p>
<ul style="list-style-type: none"> - Building Competition Account 	<p>Legislation requires that building control competition activity should break even over a rolling period through recovery of costs. The reserve is used to manage any annual surpluses or deficits and for reinvesting in the building control service.</p>
<ul style="list-style-type: none"> - Port Health Reserve 	<p>Legislation requires that fees for certain services within port health must be set on the basis of cost recovery and that any over-recovery is used to reduce future fees or invested in the service. Fees are reviewed annually to demonstrate ongoing cost recovery and the current surplus held within the reserve, built up during 2018/19, is being used to improve the resilience of the service.</p>
<ul style="list-style-type: none"> - Public Health Reserve 	<p>To carry forward any unused ring-fenced Public Health Grant. This is held separately from other grant carry forwards for external reporting purposes.</p>

Approach

17. The intention is to move towards a position where reserves are not used for balancing the budget but are for non-recurrent purposeful investment or spend and to ensure that there is financial provision set aside to meet known future one-off commitments or liabilities. They are also held as a means of ensuring financial resilience against unknown events and risks.
18. Given the fact the existing reserves were highlighted as inadequate in the budget report tabled at Council for 2023/24, financial planning will also focus on rebuilding reserves, over time, to a level considered adequate by the S151 officer.

Disposal of Assets

19. The council will consider disposal of assets where appropriate as a means to supplement resources, in particular to pay for 'one off' costs such as transformation.
20. An assessment will be made on any proposed disposal to determine if it represents value for money to dispose of, compare with the option of retention, using to redeem or avoid borrowing, support service transformation, or any other potential option.

Other one-off gains

21. The council will start to build reserves by setting aside one off gains which can then be utilised in a planned manner to provide the funds for purposeful investment, that reduces the financial burden to the council in the future.

The drawdown of reserves should always be in a planned manner whilst ensuring that reserves are not being used to support ongoing expenditure. The general fund balance is at the lowest CIPFA recommend, should not be used to support ongoing expenditure, if it is utilised at any point a plan should be brought forward to Cabinet to replenish the fund at the earliest opportunity.

2024/25 Net Revenue Expenditure Budget Adjustments by Service Activity

Children & Learning

Service Activity	Approved Budget Feb 2023 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	Executive Commitments £000	MTFS Adjustments £000	Total Budget March 2024 £000
Child Friendly City	16	0	0	0	0	0	0	16
Children & Families First	2,911	(527)	196	0	(968)	0	0	1,612
Children Looked After	29,622	(803)	266	6,733	(509)	0	0	35,309
Divisional Management	2,738	(1,348)	37	0	(2,200)	0	0	(773)
DSG Central School Services Block	3,449	(3,505)	0	0	0	0	0	(56)
DSG Early Years Block	13,830	(13,830)	0	0	0	0	0	(0)
DSG High Needs Block	21,758	(21,758)	0	0	0	0	0	(0)
DSG Schools Block	(39,044)	39,044	0	0	0	0	0	(0)
Education - Asset Management	881	(10)	0	84	(120)	0	0	836
Education - High Needs	5,867	62	124	300	(89)	0	14	6,278
Education & Learning	332	133	181	410	(249)	0	(14)	794
ICU - Children's Services	475	(128)	0	0	0	0	0	348
Legal (Children's)	623	0	0	0	0	0	0	623
MASH & CIN	(1,389)	846	0	0	0	0	0	(542)
Pathways	(0)	714	0	0	(180)	0	0	534
Quality Assurance Business Unit	2,111	(232)	79	398	0	0	0	2,356
Safeguarding	8,176	1,075	399	1,690	(390)	0	0	10,950
Young Peoples Service	1,770	746	116	280	(210)	0	0	2,701
Youth Offending	554	138	38	111	0	0	0	841
Total - Children & Learning	54,681	619	1,435	10,006	(4,916)	0	(0)	61,825

Corporate Services

Service Activity	Approved Budget Feb 2023 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	Executive Commitments £000	MTFS Adjustments £000	Total Budget March 2024 £000
Accounts Payable	316	19	32	237	(103)	0	0	502
Accounts Receivable	2,192	(30)	105	140	0	0	0	2,408
Business Support	1,788	30	99	0	(67)	0	(0)	1,851
Centrally Apportionable Overheads	(7,668)	0	0	0	0	0	0	(7,668)
Commercialisation	(1,056)	265	1	792	0	0	0	1
Corporate Finance	2,900	13	160	182	(544)	0	121	2,832
Corporate Management	370	(132)	4	42	0	0	0	284
Customer Services	1,993	205	95	44	0	0	0	2,336
Democratic Representation & Managemen	2,553	88	86	179	0	0	0	2,907
HR Services	3,178	35	118	149	(137)	0	(0)	3,342
Internal Audit	329	9	14	(5)	(103)	0	0	244
IT Services	8,892	140	606	2,477	(800)	0	(0)	11,314
Land Charges	(170)	0	0	29	0	0	0	(141)
Legal Services & Customer Relations	1,714	235	120	147	(226)	0	0	1,991
Local Taxation & Benefits Services	2,372	(268)	113	856	(71)	0	0	3,002
Net Housing Benefit Payments	300	(300)	0	0	0	0	0	0
Pension & Redundancy Costs	1,229	1,326	0	0	(212)	0	0	2,343
Registration of Electors and Elections Costs	464	5	8	(2)	0	0	0	475
Risk Management	1,674	4	145	71	(704)	0	0	1,191
Supplier Management Services	1,345	53	86	315	(231)	0	0	1,569
Total - Corporate Services	24,716	1,697	1,793	5,653	(3,196)	0	121	30,784

Place

Service Activity	Approved Budget Feb 2023 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	Executive Commitments £000	MTFS Adjustments £000	Total Budget March 2024 £000
Air Quality Monitoring	147	70	8	0	0	0	0	224
Central Repairs & Maintenance	2,796	0	44	0	0	0	0	2,841
City Development	0	307	6	300	0	150	0	764
City Services - Commercial Services	298	(114)	67	116	(220)	0	0	147
City Services - District Operating Areas	4,052	57	223	50	(71)	0	0	4,310
City Services – Management & Compliance	485	15	15	0	0	0	0	516
City Services - Trees & Ecology	835	11	49	100	(30)	0	0	966
City Services - Waste Operations	17,016	(532)	1,039	0	(1,158)	0	0	16,366
CPRES - Bereavement Services	212	(166)	32	100	(38)	0	0	139
CPRES - Environmental Health & Scientific Services	1,693	(12)	68	0	(81)	0	0	1,668
CPRES - Licensing	(109)	18	34	0	0	0	0	(57)
CPRES - Parking & Itchen Bridge	(6,240)	(1,391)	10	0	(1,648)	0	0	(9,268)
CPRES - Port Health	(618)	13	24	100	(39)	0	0	(521)
CPRES - Private Sector Housing	228	22	43	250	(250)	0	0	293
CPRES - Registration Services	(196)	(9)	36	0	(25)	0	0	(193)
Cultural Services	2,441	(236)	110	50	(514)	0	0	1,851
Economic Development	17	4	6	185	(9)	0	0	203
Emergency Planning	116	11	13	0	0	0	0	140
Energy Team	2,051	(2,003)	6	0	0	0	0	55
Facilities	1,951	(1,218)	14	80	(20)	0	0	807
Fleet Trading Area	(1,855)	22	39	375	0	0	0	(1,419)
Flood Risk Management	204	3	8	0	(60)	0	0	155
Health & Safety	261	8	6	0	0	0	0	274
Highways Contracts	7,919	0	590	2,086	(540)	0	0	10,055
Home To School Transport	5,473	44	57	5,918	0	0	0	11,492
Landscape Trading Area	(108)	59	23	0	0	0	0	(26)
Libraries	1,943	(117)	75	0	(15)	0	0	1,886
Place Management	(106)	7	78	280	0	0	0	260
Planning	14	(59)	48	595	(184)	0	(0)	415
Property Portfolio Management	(7,269)	(400)	0	682	(38)	0	0	(7,025)
Property Services	2,670	6,467	254	(137)	(905)	0	0	8,350
Skills	66	5	6	0	(60)	0	0	17
Skills, Regeneration & Partnership	414	29	20	0	(52)	0	0	411
Transportation	6,119	59	184	640	(1,124)	0	0	5,878
Total - Place	42,922	974	3,235	11,770	(7,081)	150	(0)	51,970

Strategy & Performance and Chief Executive's Office

Service Activity	Approved Budget Feb 2023 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	Executive Commitments £000	MTFS Adjustments £000	Total Budget March 2024 £000
Business Development Management Team	134	0	0	0	0	0	0	134
Corporate Communications	862	68	45	123	(160)	0	0	938
Data & Intelligence	174	612	26	352	(46)	0	0	1,118
Projects, Policy & Performance	1,406	(417)	80	123	(13)	0	0	1,179
Strategic Management of the Council	416	294	44	0	(53)	0	0	700
Total - Strategy & Performance and CEO	2,993	557	194	598	(272)	0	0	4,069

Wellbeing & Housing

Service Activity	Approved Budget Feb 2023 £000	Virements £000	Inflation £000	Pressures £000	Savings £000	Executive Commitments £000	MTFS Adjustments £000	Total Budget March 2024 £000
Adults - Adult Services Management	1,207	(179)	82	234	(48)	0	0	1,296
Adults - Long Term	47,982	(5,527)	5,145	8,015	(3,538)	0	0	52,078
Adults - Provider Services	4,339	124	161	0	(1,300)	0	0	3,323
Adults - Reablement & Hospital Discharge	8,251	547	371	0	(200)	0	0	8,968
Adults - Safeguarding AMH & OOH	9,905	4,113	110	0	(93)	0	0	14,035
Community Safety, Alcohol Related Crime, CCTV	291	6	10	0	0	0	0	306
Domestic Violence	537	19	32	0	0	0	0	588
Grants to Voluntary Organisations	326	0	0	0	0	0	0	326
Housing Needs	676	300	0	2,350	0	340	0	3,666
ICU - Provider Relationships	12,097	1,988	547	100	(195)	0	0	14,538
ICU - System Redesign	1,828	(174)	0	123	0	0	0	1,777
Leisure Contracts	2,543	0	146	0	0	0	0	2,689
Leisure Strategy	96	6	8	0	0	0	0	111
Public Health - Health Improvement	1,703	0	0	0	0	0	0	1,703
Public Health - Health Protection and Surveillance	9,803	0	0	0	0	0	0	9,803
Public Health - Management & Overheads	(15,278)	0	0	0	0	0	0	(15,278)
Public Health - Population Healthcare	3,772	0	0	0	0	0	0	3,772
Social Fund & Property	284	(106)	0	0	0	0	0	178
Stronger Communities	506	15	24	0	(120)	0	0	425
Travellers Sites	(5)	(38)	0	0	0	0	0	(42)
Total - Wellbeing & Housing	90,864	1,094	6,637	10,822	(5,494)	340	0	104,263

Centrally Held Budgets

Total - Centrally Held Budgets (see MTFS Annex 1)	34,323	(4,941)	(10,286)	3,184	(921)	368	(35,395)	(13,668)
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TOTAL NET REVENUE EXPENDITURE	250,499	(0)	3,009	42,032	(21,879)	858	(35,274)	239,245
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Budget Pressures and Unachievable Savings

Directorate	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Children & Learning	10,006	10,103	9,665	9,665
Corporate Services	5,653	5,808	6,194	6,194
Place	11,770	13,414	14,647	16,522
Strategy & Performance and CEO	598	598	598	598
Wellbeing & Housing	10,822	10,940	11,658	12,377
Centrally Held Budgets	3,184	5,849	5,852	5,855
Total	42,032	46,711	48,613	51,210

Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Adult Social Care & Health	8,472	9,190	9,908	10,627
Children & Learning	15,813	17,297	18,444	20,269
Communities & Leisure	375	375	375	375
Economic Development	1,705	1,926	1,766	1,766
Environment & Transport	3,372	3,357	3,415	3,465
Finance & Change	6,128	6,283	6,669	6,669
Housing	2,600	2,000	1,750	1,750
Leader	173	224	224	224
Safer City	211	211	211	211
Non-Portfolio	3,184	5,849	5,852	5,855
Total	42,032	46,711	48,613	51,210

Pressure Type	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Demand and Price Pressures	31,429	32,839	34,987	37,581
Income Pressures	5,248	5,168	5,168	5,168
Service Improvement	1,781	4,341	4,094	4,097
Unachievable Savings	3,575	4,364	4,364	4,364
Total	42,032	46,711	48,613	51,210

CHILDREN & LEARNING

Ref	Item	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Demand and Price Pressures						
24P24	Education Services staffing	Unrealised prior year savings	222	222	222	222
24P26	Education Psychologists staffing	Increased demand arising from increased numbers of Education & Health Care Plans (EHCP)	113	113	113	113
24P60	Jigsaw - High Cost Placement SCC (50/50 with Health)	Single high cost placement	300	300	300	300
24P255	Asset Management & Capital Strategy	Unrealised prior year savings	84	84	84	84
24P402	Looked After Children Placement spend pressure	High numbers in residential placements	4,775	4,775	4,775	4,775
24P403	Staffing pressures in Young People Service	High service demand reflecting in more resource required	280	280	280	280
24P404	Agency staff in the Quality Assurance Business Unit	Increased demand in this area	200	200	200	200
24P405	Safeguarding - Agency, Allowances and Overtime	High service demand reflecting in more resource required	1,690	1,690	1,690	1,690
24P408	Special Guardianship Order (SGO) placement spend pressure	Increased placement spend	395	395	395	395
24P630	Residential Units Revenue Pressures		730	438	0	0
Income Pressures						
24P27	Education - reduced capacity for traded services	Less capacity due to increased demand on support of children with EHCP's	75	75	75	75
Service Improvement						
24P3b	Care Director business process optimisation - additional posts - Children's *	Pressure relating to further support requirements for Care Director	198	198	198	198
Delayed or Unachieved Savings						
24P108	Residential unit savings projections deferred (22S1)	Project delayed - one property purchased - awaiting planning permission likely operational 24/25	299	509	509	509
24P109	Fostering - savings projections deferred (22S5)		534	713	713	713
24P215	Merge Youth work Lead and Inclusion & Diversion Officer	Business case in progress to make payments to carers simpler from 24/25	111	111	111	111
Total			10,006	10,103	9,665	9,665

CORPORATE SERVICES

Ref	Description		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Demand and Price Pressures						
24P199	IT - Staffing & Income pressure	Shortfall in funding for existing staffing structure	452	452	452	452
24P743	Supplier Management Rebasing	Review of budgets to align with contracts in place	315	500	684	684
24P746	Revs & Bens - postage & printing	Budget reinstatement previously removed in error	240	240	240	240
24P867	IT rebase salary budgets	Review of budgets to reflect the establishment	362	362	362	362
24P870	Cost of elections	Additional costs related to elections	0	0	169	169
24P871	PA structure	Review of budget to align with the current establishment	134	134	134	134
24P872	Minor Rebasing pressures - corporate services	Minor amendments	31	1	35	35
24P873	Corporate Services Pay Award Gap	Higher than expected pay award	195	195	195	195
Income Pressures						
24P195	Cost Recovery and Charging policy	Fees and charges review income, superseded by current fees work	60	60	60	60
24P197	IT - Income pressure	Rebased budget to reflect actual achievable schools income	562	562	562	562
24P198	IT - Income pressure	Rebased budget to reflect actual achievable capital income	896	896	896	896
24P454	School Insurance premiums	Loss of income from schools	74	74	74	74
24P747	Land charges - transfer of functions to the land registry	Statutory transfer of function	29	29	29	29
24P869	Shortfall in court income for revs & bens	Reduced income due to less court activity	423	423	423	423
Unachievable Savings						
24P42	Commercialisation delivery plan and strategy	No robust plans or ideas for delivery of saving	270	270	270	270
24P98	Enhancement of Salary Sacrifice Scheme (21S90)	No achievable	42	42	42	42
24P99	Greater use of purchase cards (21S55)	Cash back opportunities lower than expected	95	95	95	95
24P100	Finance and Commercialisation Directorate – cost reduction (21S108)	This has been removed and replaced by new saving	107	107	107	107
24P101	Accounts Payable - cost reduction (21S108)	This has been removed until we can establish plans to achieve the reduction in workload	37	37	37	37
24P102	Customer Payments and Debt - cost reduction (21S108)	This has been removed as not efficient to do and focus needs to be on collecting debt	118	118	118	118
24P104	Staff Travel and office consumables (21Ss)	Staff travel, office consumables, postage etc savings did not materialise as expected	32	32	32	32
24P106	IT Major Projects - Anticipated Revenue Savings	Recharge of officer time to capital projects not realised due to reduction in IT related capital projects	200	200	200	200
24P112	Reduction in cost of collecting council tax and business rates and review of bad debt provisions	Partially achieved - actuals lower than assumptions	160	160	160	160
24P118	Customer Experience - Accounts Payable savings (19-MS12, 20S28, 21S60)	Savings from charging for appointeeships £26k, the reduction in duplicate payments £50k and renegotiation of payment terms with suppliers did not materialise & self serve savings £25k	101	101	101	101
24P119	Customer Experience - Accounts Receivable savings (19-MS12 & deferred payments)	Savings from income related to deferred payments did not materialise	22	22	22	22
24P121	Redesign of Finance service, including removal of vacant posts (23S184)	The redesign was not taken forward this has been superseded by new savings	60	60	60	60
24P122	Unachievable Directorate agency saving (21S124)	This was a generic saving and plans were not in place to achieve this	39	39	39	39
24P863	Review fees & charges across the Council (23S195) - additional income included within individual directorate proposals	Balance of saving not passed to service, fees and charges to be met by service in future	480	480	480	480
24P868	Redesign of the Human Resources & Organisational Development service following the senior management restructure (23S76)	This has been removed and further proposals will be brought forward once the service has been reviewed at present demand is too high to reduce the service	117	117	117	117
Total			5,653	5,808	6,194	6,194

PLACE

Ref	Item	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Demand and Price Pressures						
24P10	Home to School Transport costs	Increased demand for Home to School Transport	5,798	7,185	8,770	10,595
24P48	Place staffing/agency costs	Historic savings targets held centrally in Directorate, replaced by new service specific cost control proposals	280	280	280	280
24P52	British Libraries Business	Future loss of funding for project, alternative solution being developed	0	101	101	101
24P72	Economic Development unfunded post	Historic unfunded post	75	75	75	75
24P81	Coroner's Service	Increase in coroners costs due to post pandemic backlog and cost inflationary pressures on the coroners service provided by Hampshire County Council.	100	100	100	100
24P165	Update of Local Plan	The Local Plan is statutory requirement to be funded by one-off budget allocations during the period of production	204	160		
24P347	Concessionary Fares increase in patronage	Forecast increase in number of concessionary bus passengers	400	450	500	550
24P429	Increased public toilet cleaning costs from new contract	Additional cost to maintain current provision	16	16	16	16
24P431	City Services - District Operating Areas - in year financial monitoring forecast variance	Operational cost pressures	50	50	50	50
24P509	Street Lighting	Cost pressures	187	187	187	187
24P611	Port Health new business rate liability - current year		88	88	88	88
24P742	Highways & Street Lighting Contracts Pressure & Unachievable Income	Rebasing	1,899	1,834	1,842	1,842
Service Improvement						
24P6	Visitor Economy	Contractual and partnership contributions to Culture & Tourism activity	50			
24P47	Home to school transport resource review	Additional resources required to manage Home to School transport service	140	140	140	140
24P158	Port Health & Private Sector Housing commitments	Commitments made previously that required underspend to be carried forward, but due to overall overspend this could not be facilitated				
24P166	Private Sector Housing condition survey	Private sector condition survey has not been carried out for some years and there is a need to evidence policy decisions in future. Pressures based on unsuccessful procurement exercise during 2022.	250	250		
24P175	Network Eagle Labs	Estimated residual Council contribution to operation of centre	60			
24P176	Formation of the Economic Development & Regeneration team, including operational budget and ongoing Freeport contributions	Investment in new team to drive local growth	350	350	350	350
24P191	Moving Traffic Enforcement - Setup & running costs	Setup & running costs of scheme are off-set by corresponding income generation included as a cost control measure	75	75	75	75
24P200	Procurement strategy post in Corporate Estates & Assets team	Post to support the development of a new strategic procurement process	75	0	0	0
24P615	Development Management staffing budgets	Resolving planning staffing budgeting issues to ensure every post is budgeted at the top of the grade and all posts are fully funded.	120	120	120	120
Income Pressures						
24P50	Planning - reduced income from fewer major development due to financial climate	Economic climate is impacting number of planning applications received	43	43	43	43
24P70	Trees team unachievable income target	Priority works for health & safety reasons are making commercial income targets unachievable	100	100	100	100
24P73	Planning Policy unachievable income	Previously achieved level income from partnership arrangements no longer viable due to team focus on Local Plan activity for the Council	88	88	88	88
24P178	Pest Control - unachievable income target	Service budgeted to generate surplus but annual trend of not meeting target	100	100	100	100
24P241	Fleet income target	Right sizing budget following change in recharging arrangements	375	375	375	375
24P560	Loss of existing lease income from sale of OGS	Loss of existing rental income from sale of the building may be offset by reduced cost	382	382	382	382
24P58b	Port Health – reduced volumes of trade	Volume of trade through the port has reduced over the last year, with consequent net adverse impact on income, and is not expected to recover to pre pandemic level	70	70	70	70
Delayed or Unachievable Savings						
24P94	Civic Centre energy controls (23S205)	Energy costs higher than assumptions	60	60	60	60
24P120	Spending less on external building security provisions with external providers (23S83)	Contract costs higher than anticipated	20	20	20	20
24P193	Partnership Delivery Models (22S32)	Historic saving proposal, replaced by new cost control proposals	165	165	165	165
24P216	Home to school transport 22S52	Being addressed as part of Home to School Transport transformation	120	120	120	120
24P559	Relocate services from One Guildhall Square into the Civic Centre and rent out vacated space (23S20)	Previous saving proposal implemented on assumption that vacant floorspace in OGS would be rented out.	0	400	400	400
24P58a	Port Health – reduced volumes of trade	Volume of trade through the port has reduced over the last year, with consequent net adverse impact on income, and is not expected to recover to pre pandemic level	30	30	30	30
Total			11,770	13,414	14,647	16,522

STRATEGY & PERFORMANCE AND CHIEF EXECUTIVE'S OFFICE

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Service Improvement					
24P596	External Funding Manager and Business Development Officer post	133	133	133	133
24P597	Data Team posts	280	280	280	280
Income Pressures					
24P353	Senior Communications Officer post	52	52	52	52
Unachievable Savings					
24P441	Administration Staffing review	61	61	61	61
24P442	Data team unachieved savings	72	72	72	72
Total			598	598	598

WELLBEING & HOUSING

Ref	Description		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	Demand and Price Pressures					
24P13	Adult Social Care (ASC) - demography	Recalculated increase in demand due to demographic pressures	4,015	4,733	5,451	6,170
24P14	Adult Social Care - increased costs of care	Increase in the cost of Adult Social Care over winter 2022 into 2023 that has had an impact on base budget.	4,000	4,000	4,000	4,000
24P39	Housing Benefits Subsidy & homeless costs - increase in deficit due to unsubsidised costs of homelessness provision	Increasing numbers of homeless presentations is increasing the cost of temporary accommodation. This pressure is in excess of that which can be met through the use of government funding.	200	200	200	200
24P421	Minor variances in year	Minor variances in year				
24P456	Housing Benefits Subsidy & homeless costs	Increasing numbers of homeless presentations is increasing the cost of temporary accommodation. This pressure is in excess of that which can be met through the use of government funding.				
24P622	Housing Benefits Subsidy & homeless costs - increase in deficit due to unsubsidised costs of homelessness provision	Increasing numbers of homeless presentations is increasing the cost of temporary accommodation. This pressure is in excess of that which can be met through the use of government funding.	2,150	1,550	1,550	1,550
24P3a	Care Director business process optimisation - additional posts - Adults *	Pressure relating to further support requirements for Care Director	234	234	234	234
	Delayed or Unachievable Savings					
24P93	Adult Social Care - Contract Reviews (22S40)	Outstanding amount to be found in future years by ICU in contracts as element of savings met in 23/24 were in year only. Note that this is inclusive of the respite contract pressure amounting to £133k of the total.	223	223	223	223
	Total		10,822	10,940	11,658	12,377

CENTRALLY HELD BUDGETS

Ref	Description		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	Demand and Price Pressures					
24P4	Nursery building rectification issues	Repair liabilities	40	40	40	40
24P37	Increased Minimum Revenue Provision (MRP) for Infrastructure Assets	Audit requirement to reassess useful economic life	100	100	100	100
24P44	Increase in charge for pre-local government reorganisation debt - held by Hampshire County Council		50	50	50	50
24P196	Treasury Management	Reducing interest rates	94	94	94	94
24P561	Externalisation of internal debt	External borrowing to match cashflow need	930	930	930	930
	Service Improvement					
24P41	Contingency for loss of rental and investment income and pump priming costs for invest to save measures			2,622	2,622	2,622
24P64	Kanes Hill site investment	Significant capital investment is required on the Kanes Hill site to bring to acceptable standard. This pressure relates to the associated capital borrowing cost of that investment.	40	160	160	160
24P117	Environment Agency and Southern Fisheries Levies - budget shortfall		10	13	16	19
	Income Pressures					
24P257	Contingency for loss of property income		1,920	1,840	1,840	1,840
	Total		3,184	5,849	5,852	5,855

* Whilst these pressures have been allocated to children's / adults services, the funding will be transferred to the Projects and Change team from where the necessary resources to support Care Director development will be deployed

Proposed New Commitments

Directorate		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Place		150	150	150	150
Wellbeing & Housing		340			
Centrally Held Budgets		368	1,486	3,157	4,738
Total		858	1,636	3,307	4,888

Portfolio		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Economic Development		150	150	150	150
Housing		340			
Non-Portfolio		368	1,486	3,157	4,738
Total		858	1,636	3,307	4,888

PLACE

Ref	Item	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
24E78	Masterplanning & Development	Investment in master planning required as a catalyst for local growth	150	150	150	150
	Total		150	150	150	150

WELLBEING & HOUSING

Ref	Description		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
24E797	Homes for Ukraine - continuation of scheme in 2024/25 in absence of government funding	No funding award has yet been made for 2024/25 - proposal to continue scheme in one form or another to avoid further pressure on homelessness	340			
	Total		340	0	0	0

CENTRALLY HELD BUDGETS

Ref	Description		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
24E798	Capital Borrowing Costs - New projects	3 year IT programme (to include CareDirector replacement), funding switch on River Itchen Flood Alleviation Scheme to avoid reliance on future forecast Community Infrastructure Levy receipts and St Mary's Leisure Centre	368	1,486	3,157	4,738
	Total		368	1,486	3,157	4,738

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Savings Proposals

The table includes all proposals impacting on 2024/25 budgets onwards

Directorate	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Children & Learning	(4,916)	(4,493)	(4,418)	(4,373)
Corporate Services	(3,196)	(2,880)	(2,491)	(2,491)
Place	(7,081)	(7,067)	(7,040)	(6,800)
Strategy & Performance and Chief Executive's Office	(272)	(272)	(272)	(272)
Wellbeing & Housing	(5,494)	(4,547)	(4,547)	(4,547)
Centrally Held Budgets	(1,723)	(2,730)	(2,538)	(2,461)
Total	(22,681)	(21,989)	(21,306)	(20,944)

Portfolio	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Adult Social Care & Health	(5,374)	(4,427)	(4,427)	(4,427)
Children & Learning	(4,916)	(4,493)	(4,418)	(4,373)
Communities & Leisure	(120)	(120)	(120)	(120)
Economic Development	(1,268)	(1,276)	(1,258)	(1,218)
Environment & Transport	(4,914)	(5,152)	(5,143)	(4,943)
Finance & Change	(3,255)	(2,939)	(2,550)	(2,550)
Housing	(250)	0	0	0
Leader	(742)	(732)	(732)	(732)
Safer City	(120)	(120)	(120)	(120)
Non-Portfolio	(1,723)	(2,730)	(2,538)	(2,461)
Total	(22,681)	(21,989)	(21,306)	(20,944)

Savings Type	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Service Redesign	(4,026)	(4,361)	(4,483)	(4,483)
Income Efficiency	(5,778)	(5,639)	(5,119)	(4,657)
Efficiencies	(7,178)	(6,305)	(6,020)	(6,121)
Cost Control Measures	(5,699)	(5,684)	(5,684)	(5,684)
Total	(22,681)	(21,989)	(21,306)	(20,944)

CHILDREN & LEARNING

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
<u>Service Redesign</u>					
24S207	Virtual school, do not recruit to vacant post	(44)	(44)	(44)	(44)
24S214	Non recruitment of vacant posts within SEND	(89)	(89)	(89)	(89)
24S249	Early saving from moving to Family Safeguarding Model	(144)	(144)	(144)	(144)
24S288	Fostering and Adoption Service redesign.	(107)	(107)	(107)	(107)
24S289	BRS Service redesign.	(200)	(200)	(200)	(200)
24S292	Language Service redesign.	(19)	(19)	(19)	(19)
24S363	Bring ADM (Agency Decision Maker) role in house	(7)	(7)	(7)	(7)
24S470a	VR saving excl savings already captured - Childrens and Learning	(349)	(349)	(349)	(349)
<u>Income Efficiency</u>					
24S209	Virtual School - Utilise additional funding	(15)	(15)	0	0
24S210	Music Service income increase.	(15)	(15)	(15)	(15)
24S212	Maximise impact of Family Hubs grant.	(419)	0	0	0
24S213	Maximise Supporting Families payment by results claim.	(81)	(81)	(81)	(81)
24S361	Rigorously monitor claims to Home Office to support increased number of UASC.	(211)	(211)	(211)	(211)
24S390	Increasing offset with Family Hubs grant	(27)	0	0	0
24S491	Music Service income increase.	(34)	(34)	(34)	(34)
<u>Efficiencies</u>					
24S355	Cease outsourced contacts	(47)	(47)	(47)	(47)
24S365	Children & Learning - average 31 agency staff for the whole of 23/24	(1,821)	(1,821)	(1,821)	(1,821)
24S378	Do not appoint to PM in Contact Service	0	(53)	(53)	(53)
24S463	Education Property budget no longer needed re academisation	(120)	(105)	(45)	
<u>Cost control measures</u>					
24S211	Not use surplus from Holiday Activities Fund.	(7)	0	0	0
24S293	Reduce music service management costs	(23)	(23)	(23)	(23)
24S294	Holiday Activities and Food efficiencies	(8)	0	0	0
24S354	Reduce No Recourse to Public Funds spend	(62)	(62)	(62)	(62)
24S356	Reduction in translation costs	(96)	(96)	(96)	(96)
24S358	Reduce Preventative spend back to budget	(225)	(225)	(225)	(225)
24S364	Reduce accommodation costs for care leavers	(180)	(180)	(180)	(180)
24S366	Cease Tripod costs (re: overseas recruitment)	(390)	(390)	(390)	(390)
24S367	Cease Consultancy costs	(176)	(176)	(176)	(176)
Total		(4,916)	(4,493)	(4,418)	(4,373)

CORPORATE SERVICES

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	<u>Service Redesign</u>				
24S135	Legal Service removal of 1 Apprentice Legal Services Officer post	(15)	(15)	(15)	(15)
24S136	Legal Service removal of 1 Childcare Solicitor post	(65)	(65)	(65)	(65)
24S154	HR & OD - Organisational Design Officer Grade 8 0.4 FTE vacancy removed	(19)	(19)	(19)	(19)
24S155	HR & OD - Payroll and Pensions Admin Assistant Grade 6 1 FTE vacancy removed	(35)	(35)	(35)	(35)
24S157	HR & OD - Further reduce Organisational Design budget for management development	(6)	(6)	(6)	(6)
24S276	Finance staff restructure, part of the corporate voluntary redundancy scheme	(200)	(300)	(300)	(300)
24S575	Supplier Management Redesign	(154)	(309)	(309)	(309)
24S681	Compliance (non transformational)	(196)	(219)	(219)	(219)
24S683	I&E - service redesign from debt management programme	(69)	(75)	(75)	(75)
24S688	Finance Improvement	(72)	(85)	(85)	(85)
	<u>Income Efficiency</u>				
24S125	Amend staff time charging	(12)	(12)	(12)	(12)
24S137	Legal Service S106 income increase	(15)	(15)	(15)	(15)
24S140	Recharge work on capital projects by Supplier Management to the capital programme	(46)	(46)	(46)	(46)
	<u>Efficiencies</u>				
24S124	Budget for Added Years pension payments adjustment to reflect forecast actual payments to Hampshire LGPS scheme	(212)	(194)	0	0
24S225	IT savings to meet pressures through ending or consolidating systems	(350)	(350)	(350)	(350)
24S275	Remove the contribution to the Self Insurance Fund for 1 year	(700)	0	0	0
24S278	Cancel the Money Insurance Policy (Insurance cover for cash theft)	(4)	(4)	(4)	(4)
24S280	Discontinue Insurance cover for Schools IT Equipment	0	(11)	(11)	(11)
24S327	Reduction in Mobile Phone costs	(200)	(200)	(200)	(200)
24S329	Reduction of IT Services staff from voluntary redundancy exercise	(250)	(250)	(250)	(250)
24S562	Remove budget for Fallow Year on Elections - 2025	0	(195)	0	0
24S708	Reduce training budget	(40)	(40)	(40)	(40)
24S709	Stop internships	(25)	(25)	(25)	(25)
24S710	EAP replaced with Vivup free option	(12)	(12)	(12)	(12)
24S470c	VR saving excl savings already captured - Corporate Services	(499)	(399)	(399)	(399)
	Total	(3,195)	(2,880)	(2,491)	(2,491)

PLACE

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	<u>Service Redesign</u>				
24S189	Align Dial A Ride Service budget to current provision	(25)	(25)	(25)	(25)
24S286	Service Redesign - Construction project delivery	(260)	(268)	(276)	(276)
24S287	Service Redesign - Design Team	(266)	(266)	(380)	(380)
24S308	Redesign Strategic Projects Budget	(50)	(50)	(50)	(50)
24S312	Integrated Transport - FTE reduction and maximise recharge for work on capital projects	(88)	(88)	(88)	(88)
24S314	School Crossing Patrol Service Reduction – replacement of vacant School Crossing Patrol sites with permanent pedestrian crossing infrastructure	(19)	(49)	(49)	(49)
	<u>Income Efficiency</u>				
24S75	Golf Course - increased income from change in VAT treatment	(120)	(120)	(120)	(120)
24S181	Rebased waste income budgets for recycling (Dry Mixed Recyclables & Glass)	(200)	(200)	(200)	(200)
24S186	Bus Shelter Advertising Income from profit share	(60)	(60)	(60)	(60)
24S192	Moving Traffic Enforcement - Income	(75)	(75)	(75)	(75)
24S262	Increase income generation for Bereavement Services through increased supply chain engagement	(22)	(22)	(22)	(22)
24S265	Increase Registration Services fees	(15)	(15)	(15)	(15)
24S266	Increase income through new Registration Services venue	(10)	(10)	(10)	(10)
24S271	Increase of charges to simplify and uplift tariffs - City Centre Car parks	(683)	(683)	(683)	(683)
24S273	On Street Tariff review	(200)	(200)	(200)	(200)
24S274	On street residents parking permit charges inflationary increase	(40)	(40)	(40)	(40)
24S279	On street parking enforcement - additional 4 enforcement officers	(40)	(40)	(40)	(40)
24S301	Building Control - Competition Account Review	(180)	(180)	(40)	(40)
24S305	Increase income by Archaeology Unit	(134)	(134)	(134)	(134)
24S310	Increase income generation in museums and gallery	(72)	(72)	(72)	(72)
24S409	Barrier control at Mayflower Park	(35)	(70)	(70)	(70)
24S411	Allotment income	(30)	(30)	(30)	(30)
24S462	Sale of Library Bus	(10)	0	0	0
24S476	Rebase Golf Course budget	(100)	(100)	(100)	(100)
24S490	Rebased waste income budgets for recycling (Dry Mixed Recyclables & Glass)	(80)	(80)	(80)	(80)
24S550	To simplify the itchen bridge tariff by replacing the current fees with a flat fee of £1 / 40p (smartcards)	(300)	(428)	(428)	(428)
24S633	Electricity generation in Waste contract	(200)	(200)	(200)	
24S635	Venues Income - based on price increase agreed at CMB	(19)	(19)	(19)	(19)
24S842	S106 Monitoring Charges	(4)	(4)	(4)	(4)
24S864	Waste fees & charges 2024/25 increases	(314)	(314)	(314)	(314)
	<u>Efficiencies</u>				
24S138	Removal of remaining Find and Fix gang	(300)	(300)	(300)	(300)
24S143	Extend street lighting switch off from current hours to 01:00 – 05:30 in line with consultation	(187)	(187)	(187)	(187)
24S260	Vacancy saving in Bereavement Services	(16)	(16)	(16)	(16)
24S268	Remove funding requirement for Condition of Private Sector Housing Survey	(250)	0	0	0
24S285	Vacancy saving in Estates Regeneration	(72)	(72)	(72)	(72)
24S303	Vacancy saving in Libraries (non-frontline)	(5)	(5)	(5)	(5)
24S306	Reduce Events (subscriptions) Budget	(14)	(14)	(14)	(14)
24S316	Flood Risk Management - Service Reduction	(60)	(60)	(60)	(60)
24S317	Bus Stop Maintenance Budget - fund from capital not revenue	(15)	(15)	(15)	(15)
24S400	Cease support to Mayfield Bowling Green (1FTE G6)	(32)	(32)	(32)	(32)
24S414	Remove Waste Transformation budget	(129)	(9)		
24S471	Reduce Waste Disposal & Development team capacity through vacancy deletion/ scope reduction	(35)	(35)	(35)	(35)
24S475	Outsource winter maintenance of mowers and plant		(15)	(15)	(15)
24S477	Further rebase of waste budgets	(200)	(200)	(200)	(200)
24S551	Street Cleansing - review		(150)	(150)	(150)
24S703	Highways - Asset data collection	(20)	(20)	(20)	(20)
24S704	St Lighting - LED	(33)	(33)	(33)	(33)
24S853	Facilities Management remove vacant cleaner post (amend item 150)	(20)	(20)	(20)	(20)
24S855	Business Rates savings from the disposal of vacant council buildings - reversal of amber status (24S283) - now green	(57)	(57)	(57)	(57)
24S470d	VR saving excl savings already captured - Place	(220)	(220)	(220)	(220)

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	Cost control measures				
24S7	Reduction in museums rateable value	(225)	(225)	(225)	(225)
24S159	Off Street Parking - Increased income position based on prior year outturn	(250)	(250)	(250)	(250)
24S187	Reduce Arts Complex budget	(38)	(38)	(38)	(38)
24S302	Reduce Skills team budget	(60)	(60)	(60)	(60)
24S313	Integrated Transport -Reduced Studies Budget	(43)	(43)	(43)	(43)
24S349	Reduction in energy costs due to movements in the energy market	(250)	(250)	(250)	(250)
24S389	Concessionary Fares saving	(800)	(800)	(800)	(800)
24S410	Off Street Parking - Increased income position based on Quarter 1 position	(100)	(100)	(100)	(100)
	Total	(7,081)	(7,067)	(7,040)	(6,800)

STRATEGY & PERFORMANCE AND CHIEF EXECUTIVE'S OFFICE

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	Service Redesign				
24S345	Merge management of PMO and Policy team	(13)	(13)	(13)	(13)
24S545	Communications Team Restructure	(120)	(120)	(120)	(120)
24S657	Communications Team further restructure & advertising savings	(40)	(40)	(40)	(40)
	Efficiencies				
24S258	Reduction to Leader's budget	(53)	(53)	(53)	(53)
24S344	Data team cost savings	(46)	(46)	(46)	(46)
	Total	(272)	(272)	(272)	(272)

WELLBEING & HOUSING

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	Service Redesign				
24S235	Following consultation on the closure of Holcroft House residential home and reprovion for occupants elsewhere	(1,300)	(1,300)	(1,300)	(1,300)
24S470b	VR saving excl savings already captured - Wellbeing & Housing	(57)	(57)	(57)	(57)
	Income Efficiency				
24S415	Additional Government funding to meet Adult Social Care cost pressures (Market Sustainability Grant)	(947)			
24S449	ASC charging policy changes	(200)	(200)	(200)	(200)
24S636	ASC ring fenced grant allocations higher than expected	(11)	(11)	(11)	(11)
	Efficiencies				
24S510	Stronger Communities full deletion of existing vacant posts	(120)	(120)	(120)	(120)
24S513	SCC Mental Health Team not using NHS Southern Health accommodation	(93)	(93)	(93)	(93)
	Cost control measures				
24S259	Savings arising from negotiations on inflationary uplift applied to care provision costs	(1,380)	(1,380)	(1,380)	(1,380)
24S407	Wellbeing & Housing agency review	(200)	(200)	(200)	(200)
24S642	Meals on Wheels	(48)	(48)	(48)	(48)
24S647	Mental Health Employment Service	(138)	(138)	(138)	(138)
24S651	Reduction in Uplift Budget	(1,000)	(1,000)	(1,000)	(1,000)
	Total	(5,494)	(4,547)	(4,547)	(4,547)

CENTRALLY HELD BUDGETS

Ref	Description	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
	<u>Income Efficiency</u>				
24S277	Business Rates return to government amended to ensure maximisation of funding (budget held centrally)	(445)	(445)	(445)	(445)
24S517	Additional Council Tax premium for properties empty more than 12 months - legislation dependent	(357)	(268)	(201)	(201)
24S518	Introduce additional Council Tax premium for second homes - legislation dependent		(1,190)	(893)	(670)
	<u>Efficiencies</u>				
24S128	Unallocated receipts over 2 years old, credited as a saving (budget held centrally)	(10)	0	0	0
24S132	Slippage factor (C £2M) for capital programme - reduction in capital financing costs (budget held centrally)	(80)	(40)	(40)	(40)
24S406	Reduction/Rephasing of capital programme	(351)	(307)	(480)	(626)
24S699	Highways - reduction in borrowing costs for capital	(480)	(480)	(480)	(480)
	Total	(1,723)	(2,730)	(2,538)	(2,461)

Appendix 6

Business and Budget Planning Framework

Introduction

1. The Council will implement a new Business and Budget Planning approach for 2024/25 that will be closely aligned to the Medium-term Financial Strategy (MTFS). It will be built around:
 - The development of a new City and Corporate Plan
 - An overall Council wide Business Plan and MTFS
 - A single integrated Transformation Plan
 - Clear service plans (including savings delivery plans)
 - A renewed focus on budget management and accountability
2. This Appendix sets out the Framework for corporate, business, and financial planning at Southampton City Council. It sets out the principles, approach, and timetable for implementing the Business Planning approach during 2024-25.
3. The Framework will be closely aligned with our Medium-Term Financial Strategy (MTFS) to secure financial stability, transformational change in how we deliver services, and continue to deliver efficiencies and savings. This will include reducing and eliminating the structural revenue budget deficit within the Council finances.
4. Once these immediate aims have been secured, we will then work towards:
 - Three-year Business Plans reviewed on annual basis; and
 - A ten-year MTFS, updated annually and including long term growth and investment ambitions.

Principles

5. The Business and Budget Planning Framework is founded on a set of key guiding principles as set out below:
 - Setting out clear, deliverable, and robust business plans that reflect Council priorities and affordability, as set out in the refreshed Corporate Plan.
 - To manage performance and delivery – both service and financial – at Council, Directorate and Service levels creating a golden thread for delivery and performance, helping to embed the one council approach.
 - Securing and delivering in-year and future years' savings and updating budgets and service plans, working strictly within a cash limits regime.
 - Alignment with and reflective of the Council's Medium Term Financial Strategy (MTFS)
 - Transforming how the council organises itself and how it delivers services through a comprehensive Transformation Programme
 - Over time, develop a longer term financial, investment and growth plan reflecting priorities for the City's development.
 - On-going involvement and engagement with Cabinet and elected members at each stage of the development of the Framework, including regular progress reports.

Council wide Business Plan and MTFS

6. A review of the council's existing Corporate Plan has agreed a more focussed set of corporate goals from 4 to 3 with defined outcomes and objectives. This will form the basis the Council Business Plan over the next 12 months.

7. The Council Business Plan will therefore articulate how the corporate goals and priorities in the refreshed Corporate Plan will be delivered, set within the context of the council's current and projected financial position.
8. It will set out practical steps including governance, progress reporting and milestones. It will include the Transformation Programme scope, targets and timeframe.
9. The Business Plan will also reflect the individual Service Plans and Directorate summaries.
10. The MTFS sets out the Council's financial projections and the assumptions these are based on for the next four financial years to 2027-28. It shows that without action, the forecast budget shortfall will increase from £39.2m in 2024-25 rising to £47.9m in 2025-26 and to £70m by 2027-28.
11. It is therefore critical that delivering the MTFS is a core part of the Council Business Plan, and that it demonstrates how this structural budget deficit will be closed through a combination of transformation, on-going savings identification and delivery, and budget management and accountability.

An Integrated Transformation Plan

12. The Budget Report sets out plans for a Transformation Programme to secure and implement savings required to close the structural budget deficit facing the Council. The gap we have will need an approach that continues with business-as-usual savings as well as transformational savings. The business plans will need to support this approach.
13. The Transformation Programme will be scoped and mobilised in the early part of 2024-25. It will include both existing and new programmes and projects designed to transform how the council works, how we engage with our residents and businesses, and improve efficiency.
14. The scope of the programme is currently in development but is likely to include service review and re-design, new service operating models, technology enabled change and efficiency, asset rationalisation (see ADDP below), procurement and third party spend, income generation and partnership working (including with health and the voluntary sector).
15. It will also include enabling activities that will include a major programme to improve financial management across the organisation and finance function effectiveness, to implement recommendations made by CIPFA. The first of which being this combined business and budget planning framework, in line with CIPFA financial management model of best practice.
16. Governance will be through the Executive Management Board, with regular reporting and progress updating provided to Cabinet and elected members.

Service Plans

17. There will be a requirement to produce Service Plans (at Head of Service level) for all the main service areas of the Council. These will set out:
 - Scope and service description
 - Staffing establishment
 - Main contractual arrangements (where services wholly or partly delivered by third party organisations)
 - Income sources (where appropriate)
 - Service metrics
 - Business improvement and development plans
 - Budget (including planned savings and efficiencies)

18. In relation to savings and efficiencies, the Service Plans will set out clearly how the savings plans are being implemented and identify additional in-year and future years' savings opportunities.
19. Service Plans will be summarised at Directorate level, which in turn will form part of the overall Council Business Plan. Relevant cabinet members will be consulted as the service plans are developed and finalised.

Budget Management and Accountability

20. In constructing the budget for 2024/25 cost pressures of £42.0M have been included. This is to ensure that service and operational budgets are right sized for the current level of operations, demands and pressures upon them. This means that areas of historic over-spend have been effectively re-based to enable budget holders to manage within the resources allocated. These are the cash limits for the financial year ahead.
21. To further promote good financial management, Accountability Statements will be produced for all budget holders setting their responsibility to manage budgets and to take action to mitigate budget pressures where overspending is forecast. The Cabinet Report of 29 November 2023 set out a draft statement and made it clear this would be introduced from 1 April 2024 in a supportive way with necessary training, advice and support provided to budget holders.
22. Budget Statements will be issued to budget holders ahead of the commencement of the new financial year. These will set out the overall service budget and movements since 2023/24. This will include cost pressures that have been recognised in preparing the budget and the agreed savings.
23. Each budget holder will sign an Accountability Statement confirming their responsibility to manage expenditure (and where appropriate income targets) within these budgets.
24. Budget management will be based on monthly reporting, commencing from Month 1. Any actual or forecast over-spending against the profiled budget will be reported through the Budget Review Panel (see Governance below). In such cases a remediation plan will be required including proposals and an action plan to get the budget back under control.
25. This monitoring will also apply to agreed savings that have been built into service budgets, with any risk or forecast of non-achievement will be similarly reported and plans to get savings back on track will be required.

Governance

26. The overall business planning process will be overseen by the Chief Executive and the Executive Management Board, in consultation with the Leader and Cabinet. Regular progress updates will be presented to Cabinet, OSMC and Council.
27. The Transformation Programme and Plan will be overseen by a Transformation Board which comprises the Executive Management Board. This will include regular project updates, business case signoffs and monitoring of savings delivery.
28. A Budget Review Panel, including the Chief Executive (Chair) and Executive Director Corporate Services (s151 officer) will be scheduled to monthly to review budget variations and agree remediating actions.
29. The Leader and relevant cabinet members will be consulted on any areas of concern in-year and on remediation plans agreed.

Timetable

30. The key dates and milestones for the financial year ahead are set out in Table 1 below:

Item	Description	Date / Milestone
Launch Business Planning 2024/25	Communicate timeline, expectations, and responsibilities. Working Group established	1 April 2024 March 2024
Refresh Corporate Plan	To set context and priorities to inform business planning, including financial context	March 2024
Service business plans	2024/25 service business plans agreed Service Budgets issued (cash limits for budget holders)	2024
New city and corporate plan	Start of developing the new city and corporate plan for 25/26 onwards	April 2024
Revenue and Capital Monitoring	Commencing Month 1 including Budget Review Panel	From May 2024
Transformation Strategy and Plan	Integrated Transformation Plan including scope, timelines, resourcing and cost, and targets	
MTFS Review	Quarterly review and update including in year revisions. Q3 update forms basis of 24/25 Budget	Quarterly Starting 1 July 2024
Council Business Plan	Draft for consultation and Review Includes Transformation Plan, strategic outline business cases and updated MTFS. Report to Cabinet	By July 2024
Draft Service Plans	At Head of Service Level, with Directorate summaries	By end July
Productivity Plans	As required by DLUHC, and based on Business Plan and Transformation Strategy/Plan	July 2024
MTFS and Revised Budget	Budget update to include agree new in-year savings, including consultation requirements. Transformation Outline Business Cases Cabinet Report	September 2024
Council Business Plan and Service Plans	Final for publication Cabinet and Council Reports	September 2024
Draft Budget 2025/26	MTFS update including draft budget 2025/26 Full programme business cases agreed.	November 2024
Draft City and Corporate Plan	Cabinet Report	
Budget 2025/26 and MTFS to 2028/29	Cabinet and Council – Final	February 2025
Business Plan (refresh for 2025/26)	Cabinet and Council	February 2025
Transformation Plan (refresh for 2025/26)	Cabinet and Council	February 2025

Productivity Plans

31. In the Finance Settlement of 5th February 2024, DLUHC announced a requirement for local authorities to publish productivity plans by July 2024. The government has stressed that these are likely to draw on existing work done by councils and should be short. Nevertheless, they have defined the scope of these plans and a requirement to set out implementation milestones. The Productivity Plans need to cover four main areas:
 - Transformation of services to make better use of resources.
 - Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design.
 - Ways to reduce wasteful spend within systems.
 - Barriers preventing activity that Government can help to reduce or remove.
32. The plans need to be agreed with council leaders and elected members so will be reported to Cabinet and Council and published on the Council's website.
33. Given how closely this requirement is to our plans for business planning and transformation, it would be sensible to include the preparation of these productivity plans in our Business Planning Framework, to avoid additional and potentially duplicating work.

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Procurement Pipeline 2024-2029

The information provided shows the anticipated procurement processes that shall be carried out during the 1 April 2024 - 31 March 2029. This includes details of current contracts that are due to expire where a re-procurement is expected to take place and details of new procurements expected.

Please note; The approval of each procurement shall follow the Council's internal governance processes and the content may be subject to change as work progresses between the Supplier Management Service and council Service Areas.

Values and contract dates have been provided where these details are known. Values listed are whole life contract estimates.

Information published on the pipeline is provided for planning purposes only and does not create any commitment to undertake all or any of the activities as set out in the pipeline. It is only an indication of potential opportunities. Similarly, contracts awarded for procurements that were not included on a pipeline will not be invalid because they were not included.

This pipeline does not include details of the anticipated procurements falling within the remit of the Integrated Commissioning Unit.

Name of project	Brief description of the contract	Service area	Existing contract end date (if applicable)	Estimated date for the release of the tender	Estimated contract commencement date	Estimated initial contract term in months	Estimated contract extension in months (if applicable)	Estimated contract value	PBP/Contract Manager
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CORPORATE SERVICES

City Services District Teams IT System	To implement an IT business solution for City Services which will include: street cleansing, grounds maintenance, commercial clearing and grounds, play area inspections, pest control, and clinical waste. This will have desktop and mobile applications.	Corporate Services - IT	N/A	TBC	TBC	60	-	£313,000	James Gillie
Firewall and Internet Traffic Management	Firewall and Internet Traffic Management	Corporate Services - IT	01/06/2027	01/12/2026	01/06/2027	60	-	£60,000	James Gillie
Citrix License renewal	Citrix License renewal	Corporate Services - IT	01/04/2026	01/09/2025	01/04/2026	36	-	£180,000	James Gillie
Microsoft licensing and support	Contract to cover Microsoft licences and support.	Corporate Services - IT	01/04/2025	01/09/2024	01/04/2025	36	24	£6,000,000	James Gillie
VMware Support Renewal	Renewal of VMware Support	Corporate Services - IT	30/06/2026	01/12/2025	01/07/2026	24	24	£78,000	James Gillie
Youth Offending Team and CCIS Client Case Management System	A system with capacity to record and retain a wide range of personal and confidential information for client of the YOT such as personal history, criminal records, sentencing history and interventions. CCIS - Recording and reporting information regarding the provision of information, advice, and guidance for young people in the city.	Corporate Services - IT	31/03/2025	01/06/2024	01/04/2025	36	24	£332,300	James Gillie
ModGov and Xpress Contract	The supply of office software and associated support.	Corporate Services - IT	22/07/2025	01/12/2024	23/07/2025	60	36	£184,000	James Gillie

Support, maintenance and hosting for Unit4 ERP system	Contract for the delivery of support, maintenance and hosting for Unit4 ERP system	Corporate Services - IT	31/01/2025	01/07/2024	01/04/2025	24	24	£691,883	Dan Keenan
School broadband	Replacement of the school broadband agreement	Corporate Services - IT	31/12/2025	01/07/2024	01/01/2026	36	24	£313,350	James Gillie
Homelessness and Housing Case Management System	Client case management system for Homelessness service including support and maintenance.	Corporate Services - IT	31/03/2025	01/07/2024	01/04/2025	36	24	£110,000	James Gillie
Contact Centre Telephony	Contact Centre Telephony	Corporate Services - IT	20/12/2024	01/05/2024	21/12/2024	24	24	£360,000	James Gillie
Planning and environmental health and regulatory services software solution	Planning and environmental health and regulatory services software solution	Corporate Services - IT	31/05/2026	01/09/2025	01/06/2026	36	24	£500,000	James Gillie
FAB Online Assessment Form (BetterCare)	FAB Online Assessment Form (BetterCare)	Corporate Services - IT	31/01/2025	01/08/2024	01/02/2025	24	24	£105,000	James Gillie
IT Service Management Software	IT Service Management Software	Corporate Services - IT	16/03/2028	01/10/2027	17/03/2028	36	24	£800,000	James Gillie
Forescout Solutions	Forescout Solutions	Corporate Services - IT	21/02/2025	01/06/2024	22/02/2025	36	24	£165,887	
Internet Connectivity and WAN Connectivity	SD-WAN Point to Cloud Contract	Corporate Services - IT	25/04/2026	01/08/2025	26/04/2026	60	-	£880,665	James Gillie
Support and Maintenance for Flexera Admin Studio	Support and Maintenance for Flexera Admin Studio	Corporate Services - IT	30/09/2024	01/05/2024	01/10/2024	36	-	£31,767	James Gillie
Social Care Client Case Management System	Social Care Client Case Management System	Corporate Services - IT	29/10/2025	01/08/2024	30/10/2025	60	24	£944,475	Jane Rippon
Securesphere	Web Application Firewall, Annual Premium Support Management Server Virtual Appliance, Annual Select Support	Corporate Services - IT	30/06/2025	01/12/2024	01/07/2025	36	24	£73,959	James Gillie
Waste Collection and Tracking Solution: Ongoing Support	Waste Collection and Tracking Solution	Corporate Services - IT	13/09/2025	01/12/2024	14/09/2025	60	24	£222,000	James Gillie
Entrust - Certs	Entrust - Certs	Corporate Services - IT	13/02/2027	01/08/2026	14/02/2027	60	-	£16,805	James Gillie
Forcepoint Websense Licenses	Forcepoint Websense licenses and support	Corporate Services - IT	29/03/2025	01/09/2024	30/03/2025	36	-	£63,406	James Gillie
Proofpoint Email Security System	Renewal of Proofpoint licenses protection for email security system	Corporate Services - IT	24/04/2025	01/10/2024	25/04/2025	36	-	£344,274	James Gillie
Schools Budgeting System	Provision of school budgeting system for 40 schools within Southampton City Councils area of responsibility.	Corporate Services - IT	31/01/2026	01/05/2025	01/02/2026	24	24	£28,023	James Gillie
Housing Management Information System	Cloud Services, Software Licenses, Support, Maintenance on onboarding relating to housing management system	Corporate Services - IT	31/08/2027	01/10/2026	01/09/2027	60	24	£1,776,181	James Gillie
UPS Maintenance Renewal	Renewal of 1 Year UPS Maintenance (Specification in attached document) This is out of the operational budget for IT	Corporate Services - IT	20/10/2024	May-24	21/10/2024	12	-	£11,874	James Gillie

Insurance and Risk Consultancy and Brokerage	Appointment of an Insurance Broker/Consultant to provide specialist support, advice and assistance to the council in respect of the tender of its insurance programmes and to provide ongoing risk management and insurance support, advice and guidance including, where required, access to specialist consultancy advice.	Corporate Services - Finance	30/04/2024	01/01/2024	01/05/2024	60	-	£14,000	Jason Barrett
Project Agreement for the Provision of Leisure Services	Operation of leisure facilities and increase participation in leisure activities across the city. Responsible for indoor centres and outdoor facilities including: The Quays, Bitterne Leisure Centre, Chamberlayne Leisure Centre, Southampton Water Activities Centre, Woodmill, Outdoor Sports Centre, Alpine Ski and Snowboard centre, Lordshill recreation ground, Mayfield recreation ground, Green Park, Millbrook recreation ground, Veracity ground, Riverside Park and Hoglands Park. Maintenance and improvements of facilities (excluding structural works).	Corporate Services - Supplier Management	31/08/2025	01/10/2024	01/09/2025	180	-	£15,000,000	Sarah Darling
Agreement for the Management of the Guildhall Solent Suite Entertainment Venue Southampton	The management on behalf of the Council of the Venue as a multi-purpose entertainment and community venue, including arranging programmes of entertainment and provision of space for public and private functions (including facilities management services) in accordance with the Contract.	Corporate Services - Supplier Management	09/02/2026	01/04/2025	10/02/2026	276	60	£6,000,000	Sarah Darling
Security Services	Security Services: Manned guarding at Civic Centre/OGS/City Depot, Lock/unlock of car parks and historical sites, Keyholder/alarm response service for 36 other properties in property portfolio, Adhoc requirements	Corporate Services - Supplier Management	01/12/2024	01/04/2024	02/12/2024	60	-	£1,443,104	Sarah Darling
Procurement and Contract Management Portal	E-tendering system inclusive of SRM, esourcing, auctions, contract management	Corporate Services - Supplier Management	31/01/2025	01/12/2024	01/02/2025	36	12	£146,476	James Gillie

Millbrook RAB Full Horticultural & Remote Monitoring Maintenance	Maintaining the living wall on Millbrook roundabout, complete with one irrigation plant room and plants by Biotecture (502716) for the financial year 2022/23	Corporate Services - Supplier Management	31/04/2024	tbc	tbc	12	24	£32,850	Jason Barrett
VAS Unit Maintenance Contract	Service to maintain and rotate VAS signage around the city of Southampton.	Corporate Services - Supplier Management	30/11/2028	01/06/2028	01/12/2028	60	-	£136,251	Lauren Cooper
DocuSign Master Services Agreement	E-signature software to electronically sign & seal contractual documents. 35 user licenses. Replacement Contract.	Corporate Services - Supplier Management	31/01/2026	TBC	01/02/2026	24	0	£40,399	Joe Brewer
Prepaid Accounts and Associated Services	Provision of prepaid cards intended to help manage cash disbursements. The service will be required to provide a prepaid card which has flexible use, is easy to manage and top up and has good support and reporting mechanism over a 4 year period.	Corporate Services - Customer Experience	28/12/2024	01/05/2024	29/12/2024	48	24	£38,400	Jason Barrett
Housing Benefit Subsidy Grant Verification Auditor	Housing Benefit Subsidy Grant Verification Auditor	Corporate Services - Customer Experience	30/06/2024	01/02/2024	01/07/2024	TBC	TBC	£10,000	James Gillie
Post and Franking Services	Post and franking services provided by Royal Mail	Corporate Services - Customer Experience	31/03/2023	TBC	TBC	12	12	£61,500	Jason Barrett
Blue Badge CMS	A new case management for the Blue Badge service is required as the current in-house system has not been updated for over 10 years. The data on the current system will also need to be transferred over to the new CMS.	Corporate Services - Customer Experience	31/12/2026	TBC	TBC	47	12	£22,665	Jason Barrett
IVR Recording	We have recently invested in a new telephony platform and are overhauling the IVR (Interactive Voice Response) set up in switching over. As a part of this we want to invest in high quality recorded announcements. SCC is in the process of upgrading and redesigning our IVR (Interactive Voice Response) system for the council. We deal with over 400,000 calls a year and are keen to deliver the best possible customer experience.	Corporate Services - Customer Experience	31/03/2025	01/09/2024	01/04/2025	36	12	£22,400	Jason Barrett

Account Verification Requirement	Bank Wizard Absolute Service (Verification). Performs bank account validation and then verifies whether a bank account is open and belongs to the individual or company proposed and returns a score indicating the strength of match.	Corporate Services - Customer Experience	18/10/2024	01/04/2024	19/10/2024	36	-	£23,485	James Gillie
Cleaning Services	Centralised cleaning contract.	Corporate Services - Customer Experience	02/05/2024	TBC	TBC	24	24	£932,613	Jo Swabey
Revenues, Benefits & NNDR Administration	System for the administration and collection of Council Tax and Business Rates, administration of Council Tax Reduction Scheme, administration and payment of Housing Benefit, assessment of client contributions in respect of care services	Corporate Services - Customer Experience	23/07/2026	01/09/2025	24/07/2026	60	-	£889,550	James Gillie
Hybrid Mail	Hybrid Mail solution	Corporate Services - Customer Experience	N/A	TBC	TBC	TBC	TBC	TBC	Jason Barrett
Card Provider	Payment Cards	Corporate Services - Customer Experience	N/A	TBC	TBC	TBC	TBC	TBC	Jason Barrett
Bailiff Services	Bailiff Services	Corporate Services - Customer Experience	22/07/2024	01/02/2024	23/07/2024	12	12	2,000,000	Jason Barrett
Bailiff Services - Ross & Roberts Limited	Bailiff Services - Ross & Roberts Limited	Corporate Services - Customer Experience	22/07/2024	01/02/2024	23/07/2024	12	12	800,000	Jason Barrett
Post and Print Costs	Contract , including Revs and Bens , and Payslips	Corporate Services - Customer Experience	TBC	TBC	TBC	TBC	TBC	TBC	Jason Barrett
Recruitment Advertising		Corporate Services - HR and Legal	N/A	TBC	TBC	TBC	TBC	TBC	Jason Barrett
Corporate Insurance (including motor)	Corporate Insurance	Corporate Services - Legal and Governance	31/03/2025	01/10/2024	01/04/2025	59	-	£4,950,204	Sarah Darling

PLACE

Supply of Liquid Fuels	Supplier to provide liquid fuel deliveries to City Depot and other sites to include low emission diesel substitute, gasoil and adblu. Diesel substitute must meet EN590 standard. Supplier to provide liquid fuel deliveries to City Depot and other sites to include low emission diesel substitute, gasoil and adblu. Diesel substitute must meet EN590 standard.	Place - Environment	31/08/2024	01/05/2024	01/09/2024	TBC	TBC	£ 6,000,000	Lauren Cooper
Liquid Fuel Tank Maintenance	Maintenance program and periodic inspection of liquid fuel tanks at City Depot, Central Depot, Red Lodge and Sports Centre	Place - Environment	31/08/2024	01/07/2024	01/09/2024	36	24	£ 57,500	Darrin Daniels
Pest Control Framework	Pest Control and Specialist Cleansing companies.	Place - Environment	N/A	01/06/2024	01/08/2024	TBC	TBC	£ 250,000	Lauren Cooper
Routesmart- route optimising software licences training and support	The requirement is for the routesmart licences and the professional support for waste rounds operations. Software required to be able to perform route planning for the current general and recycling waste service and for future new waste services to be delivered in accordance with the Waste Improvement Transformation Project eg food waste and twin stream.	Place - Environment		01/05/2024	01/07/2024	76	36	£ 400,000	Lauren Cooper
Light Refreshment Concessions Parks	Providing high quality catering and ancillary services in the various parks and open spaces within Southampton.	Place - Environment	01/03/2027	01/12/2026	28/02/2027	60	24	TBC	Lauren Cooper
Light Refreshment Concessions Parks	Providing high quality catering and ancillary services in the various parks and open spaces within Southampton.	Place - Environment	01/03/2027	01/12/2026	28/02/2027	60	24	TBC	Lauren Cooper
City Weed Spraying Services	Weed spraying and control services to highways and footpath hardstanding's across the Councils area of responsibility.	Place - Environment	31/10/2025	01/07/2025	01/11/2025	28	36	£ 300,000	Lauren Cooper

Commercial Waste Transfer and Disposal Services	To manage, maintain and operate effective Waste Transfer Stations(s) in close proximity to the Southampton Area and to ensure compliant disposal of SCC's commercial waste. Lot 1 Residual Waste - Black bag waste Lot 2 Bulky Waste - bulky items removed from property clearances, fly tips and bulky collections from the Council's housing sites.	Place - Environment	31/03/2025	01/10/2024	01/04/2025	60	-	TBC	TBC
Light Refreshment Concessions Parks	Providing high quality catering and ancillary services in the various parks and open spaces within Southampton.	Place - Environment	01/03/2029	01/12/2026	28/02/2027	84	24	TBC	Lauren Cooper
Wheeled Waste Containers	Supply of plastic wheeled waste containers, metal wheeled containers, refurbishment of the metal wheeled containers	Place - Environment	31/03/2024	TBC	TBC	22	-	£ 315,134	Lauren Cooper
Fleet replacement programme	Up to 50 light goods vehicles	Place - Environment	N/A	01/10/2024	01/12/2024	TBC	-	TBC	Lauren Cooper
Mower and plant service and maintenance contract	Mower and plant service and maintenance contract	Place - Environment	TBC	01/08/2024	01/10/2024	TBC	TBC	130,000	Lauren Cooper
Telehandler	Telehandler Vehicle	Place - Environment	N/A	01/08/2024	01/10/2024	TBC	TBC	90,000	Lauren Cooper
Clinical Waste	Clinical Waste Vehicle	Place - Environment	TBC	01/08/2024	01/10/2024	TBC	TBC	600,000	Lauren Cooper
Itchen Bridge Contactless Payments	Contactless payment readers	Place - Environment	22/11/2024	01/04/2024	01/12/2024	48	-	£ 175,000	Stewart Baynham
Itchen Bridge Contactless Payments	Contactless payment readers	Place - Environment	23/11/2024	02/04/2024	01/12/2024	48	-	£ 20,000	Stewart Baynham
Itchen Bridge Contactless Payments	Contactless payment readers	Place - Environment	22/11/2025	03/04/2025	01/12/2024	60	-	£ 20,000	Stewart Baynham
Veterinary Services for Port Health	Responsibility relating to the operation of the Border Inspection Post with respect to products of animal origin.	Place - Environment	31/10/2027	01/05/2027	01/11/2027	60	12	£ 400,000	Stewart Baynham
Cashless Parking Solution	Cashless Parking Solution	Place - Environment	01/04/2024	01/06/2024	01/10/2024	36	-	£ 20,000	Stewart Baynham
Burial and Cremation Administration System (BACAS)	Burial and Cremation Administration System (BACAS)	Place - Environment	06/02/2027	01/10/2026	01/02/2027	300	-	£ 72,500	Stewart Baynham
Kennel Services for Abandoned & Stray dogs	Kennel Services for Abandoned & Stray dogs	Place - Environment	31/08/2024	01/04/2024	01/09/2024	36	12	£ 140,000	Stewart Baynham
PHILIS Software	PHILIS Software	Place - Environment	14/12/2024	01/07/2024	15/12/2024	113	-	£ 153,000	Stewart Baynham
Itchen Bridge Accounts Management System Maintenance Agreement	Itchen Bridge Accounts Management System AND Maintenance Agreement	Place - Environment	06/12/2024	01/06/2024	07/12/2024	84	-	£ 740,000	Stewart Baynham
Public Health Act Funerals	Local Authority funded statutory Funeral Director	Place - Environment	31/07/2027	01/04/2027	01/08/2027	60	12	£ 125,000	Stewart Baynham

Barrier controlled MSCP equipment upgrade	Replacement of Barrier controlled MSCP equipment	Place - Environment	Jun-24	01/10/2024	01/02/2025	74	-	£ 600,000	Stewart Baynham
Pay By Phone	Pay by phone contract for parking services	Place - Environment	Apr-24	Apr-24	01/06/2024	36	12	£ 50,000	Stewart Baynham
Flowbird P&D equipment	Pay and display parking equipment	Place - Environment	Apr-24	Apr-24	01/09/2024	36	12	TBC	Stewart Baynham
Barrier controlled Entry/Exit at Mayflower Park	Parking management systems	Place - Environment	01/04/2024	Apr-24	01/09/2024	72	-	£ 150,000	Stewart Baynham
ENCTS AND ITCHEN BRIDGE SMARTCARD SOFTWARE - SMARTCITIES OFFICE	HOPS - HOST OPERATING PROCESSING SYSTEM. CARD MANAGEMENT SYSTEM. ENCTS AND ITCHENBRIDGE ONLINE APPLICATION PORTAL INTEGRATED WITH CARDMANAGEMENT SYSTEM. SMARTCARD PRINTING. INTEGRATION OF CARD MANAGEMENT SYSTEM WITH ITCHEN BRIDGE AMS	Place - Transport & Planning	31/07/2024	01/04/2024	01/08/2024	36	-	£ 155,000	Stewart Baynham
Electric e-scooters	Provision of e-scooter rental within the City.	Place - Transport & Planning	31/05/2026	TBC	TBC	TBC	TBC	£ 162,000	Lauren Cooper
Northam Rail Bridge - Rail Interaction	Network Rail GRIP2/3 stage documents - consolidated project scope, maintenance strategy, land & consents strategy, risk register, drawings, site survey, constructability assessment, railway safety hazards, topographical survey of rail and road, and impact on Mount Pleasant Level Crossing.	Place - Transport & Planning	N/A	01/09/2024	01/01/2025	48	-	£ 2,000,000	Lauren Cooper
Supported Buses Framework 2019-2023	Supported Buses Framework 2019-2023	Place - Transport & Planning		03/05/2024	05/08/2024	48	-	TBC	Lauren Cooper
RTI Displays	Provision and maintenance of a core central RTI system, including all inputs and outputs, existing roadside displays, TFT/LED displays at key locations, all communications links and maintenance of new display hardware and a content management system.	Place - Transport & Planning	31/03/2027	01/02/2027	01/04/2027	49	24	£ 125,000	Lauren Cooper
Highways Services Partnership	Highways transportation planning and assess management service.	Place - Transport & Planning	30/09/2025	01/01/2025	01/10/2025	180	-	£ 150,000,000	TBC
Traveline, Contribution to NPTI	Traveline, Contribution to NPTI	Place - Transport & Planning	31/03/2025	24/02/2025	01/04/2025	48	-	£ 43,468	Lauren Cooper
Street Manager 2022-2025	Street Manager contract in collaboration with the Department of Transport.	Place - Transport & Planning	31/03/2025	24/02/2025	01/04/2025	36	24	£ 45,000	Lauren Cooper

Transport DPS	Home to School Transport services for Children Living in Southampton to schools in the South Coast Area and other council transport requirements.	Place - Transport & Planning	31/12/2028	01/03/2024	01/06/2024	118	-	£ 150,000,000	Lauren Cooper
Planning Skills Delivery Fund Round 1	Department of Levelling Up, Housing & Communities (DLUHC) funding (part of the Capacity and Capability Programme) for the improvement of development management services by clearing backlogs of planning applications, as well as funding for addressing planning skills gaps.	Place - Transport & Planning	N/A	17/07/2024	01/08/2024	TBC	TBC	TBC	Lauren Cooper
Local Plan evidence base	Series of evidence studies to support the Local Plan, noting that this is a statutory requirement of the Local Planning Authority.	Place - Transport & Planning	N/A	01/07/2024	01/08/2024	TBC	TBC	TBC	TBC
Planning skills Delivery Fund Round 2	Department of Levelling Up, Housing & Communities (DLUHC) funding (part of the Capacity and Capability Programme) for the improvement of development management services by clearing backlogs of planning applications, as well as funding for addressing planning skills gaps.	Place - Transport & Planning	N/A	TBC	TBC	TBC	TBC	TBC	Lauren Cooper
Bikeability Cycle Training 2024 - 2027	Southampton City Council is the grant recipient for Bikeability Cycle Training in Southampton. We are responsible for delivering the government's national cycle training scheme to school pupils in our LA area.	Place - Transport & Planning	TBC	01/06/2024	01/08/2024	TBC	TBC	TBC	Lauren Cooper
Southampton Bus Service 10 Tender	To facilitate a contract to operate Southampton bus service 10.	Place - Transport & Planning	TBC	01/05/2024	01/06/2024	12	-	134,000	Lauren Cooper
STS Route Optimisation System - Long Term	School Travel Service transport routes optimisation	Place - Transport & Planning	N/A	Aug-24	Oct-24	48	12	£100,000	Lauren Cooper
STS Management Reporting System	System to enable better service management reporting	Place - Transport & Planning	N/A	Aug-24	Oct-24	48	12	TBC	Lauren Cooper
British Cycling Partnership	British Cycling Partnership	Place - Transport & Planning	31/03/2026	01/01/2026	01/04/2026	106	-	£ 100,000	Stewart Baynham
Electric Vehicle (EV) Infrastructure	Project to procure a partner for electric vehicle infrastructure	Place - Transport & Planning	N/A	01/04/2024	TBC	TBC	TBC	TBC	Jason Barrett
E-books, E-audiobooks, and Print Books	The supply of print books, hardware and associated training and consultancy services, software, and software licenses.	Place - Culture & Tourism	16/03/2025	01/12/2024	17/03/2025	36	-	£ 73,000	Stewart Baynham

Southampton Christmas Lights Scheme	To appoint a suitably qualified company to design, provide and maintain the Christmas Lights Scheme in Southampton.	Place - Culture & Tourism	01/11/2025	01/04/2024	01/11/2025	36	12	£ 300,000	Stewart Baynham
Southampton Medieval Walls Weed Removal	Southampton Medieval Walls Weed Removal	Place - Culture & Tourism	May-25	01/05/2025	01/10/2025	48	12	£ 50,000	Stewart Baynham
North Walls (Bargate)	Conservation of medieval town walls	Place - Culture & Tourism	N/A	01/04/2024	01/05/2024	24	12	£ 200,000	Stewart Baynham
Accreditation	Museum Accreditation Consultancy's	Place - Culture & Tourism	N/A	01/06/2024	01/08/2024	12	-	£ 20,000	Stewart Baynham
Heritage Strategy	City-Wide Heritage Strategy	Place - Culture & Tourism	N/A	01/06/2024	01/09/2024	12	-	£ 25,000	Stewart Baynham
Architecture Competition	Competition for the Art Gallery	Place - Culture & Tourism	N/A	01/08/2024	01/11/2024	12	-	£ 15,000	Stewart Baynham
Adult Learning MIS	Management Information System to record Adult Learning data	Place - Economic Development & Regeneration	31/07/2025	01/03/2025	01/08/2025	60	-	£ 38,000	Stewart Baynham
Thornhill - Passive Fire Safety Programme (8 No High Rise Tower Blocks) - Works	The rectification work to fire safety details in 8 high rise tower blocks comprising 840 occupied dwellings mainly in two bed flats. Each tower requiring minimising disruption to residents in occupation. Value could significantly increase.	Place - Corporate Estate & Assets	N/A	TBC	14/06/2024	TBC	-	£ 9,100,000.00	Mark Jarrett
Legionella Control Measures (Monitoring and Maintenance)	To provide a comprehensive WQ analytical and monitoring service in connection with SCC WQ compliance obligation across all building asset where SCC has a duty.	Place - Corporate Estate & Assets	N/A	01/05/2024	01/09/2024	120	-	£ 1,500,000.00	Michael Balamwezi
Windows and External Doors (Supply and Installation) MTC	To deliver a Door and Window programme comprising approx. 821 Properties (Houses only) due for window or door replacement identified following Stock condition inspections.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 1,500,000.00	Mark Jarrett
Southampton Crematorium Works	An addition of an external cladding system to be installed along with other associated external improvements	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	-	£ 400,000.00	Mark Jarrett
Fire Sprinkler Systems (Servicing and Maintenance)	Annual Servicing and Maintenance of Installed Sprinkler Systems to various blocks of flats across the city	Place - Corporate Estate & Assets	TBC	TBC	TBC	TBC	TBC	£ 1,500,000.00	Mark Jarrett
Green Lane - Phase 2-3 (Main Works)	Refurbishment and extension to existing accommodation at Green Lane including four additional modular classrooms as part of the SEND Expansion Programme (Green Lane Phases 2 and 3)	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 10,400,000.00	Mark Jarrett

Asbestos Surveying Analytical Services	Procurement of a term contractor for Asbestos surveying & analytical services	Place - Corporate Estate & Assets	N/A	TBC	01/10/2024	120	-	£ 1,000,000.00	Michael Balamwezi
Asbestos Removal Contractor Procurement	Procurement of a Asbestos Removal Contractor	Place - Corporate Estate & Assets	N/A	TBC	01/10/2024	120	-	£ 1,000,000.00	Michael Balamwezi
Domestic Lifts - Servicing and Maintenance Contract	Service and Maintenance of all types of domestic lifts, through floor lifts in all domestic properties in the Southampton housing portfolio.	Place - Corporate Estate & Assets	31/05/2024	TBC	01/06/2024	120	-	£ 800,000.00	Michael Balamwezi
Fire Safety Equipment Maintenance Contract	The preventative and reactive maintenance of the fire safety equipment including dry risers, smoke vents, fire extinguishers and blankets and the fire alarms term servicing located in Civic Centre and OGS.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 100,000.00	Mark Jarrett
Fairisle Infant School Drainage Replacement Works	Pitch fibre pipework at the school is causing blockages and is collapsing. The man holes are also very shallow. It needs to be replaced with new drainage in suitable materials, ie pvc, and possible with a pump.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 75,000.00	Mark Jarrett
Mount Pleasant Junior School (Roof Repairs inc Glazed Rooflights and Ventilation)	Repairs identified in condition survey to be addressed within 1 to 5 years due to poor condition. The scope includes the rebuilding of masonry to a large gable wall. Repairs to extensive areas of glazed rooflights with associated lead flashings. Repairs or removal of large ventilation turrets to the pitched roof.	Place - Corporate Estate & Assets	N/A	TBC	01/07/2024	TBC	N/A	£ 200,000.00	Mark Jarrett
CADS Ph 2 - LEDs & Solar PV (Consultants)	Design and install solar photovoltaic arrays to SCC Assets, to include rooftop and car port systems. There will be additional ancillary work included within the contract which could include feasibility, CAD drawing, R&D and structural surveys.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 149,140.00	Mark Jarrett
Mayflower Park Waterfront Development	Delivery of chosen option	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 2,000,000.00	Mark Jarrett
CG0223 - P Type Ring Beam	To supply and install external wall insulation to 65 P-Type blocks across the City	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 600,000.00	Mark Jarrett

Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 3 - Phase 1 of 2)	Tranche 03 cover the 5 HRRBs at International Way. It is proposed that the tender to survey the buildings will be issued to the open market.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 334,105.00	Mark Jarrett
Townhill Park Plots 2, 9 and 10 - Post-Planning Employer's Agent and Principal Designer	Procurement of an enhanced Employer's Agent and Principal Designer service for the post-planning application to end of defects period on the regeneration of Plots 2, 9 and 10 at Townhill Park.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 726,000.00	Mark Jarrett
Townhill Park Plots 2, 9 and 10 - Construction	This project involves the construction of Plots 2, 9 and 10 of the Townhill Park Regeneration scheme. A full D&B construction service is required to deliver new homes which will meet the Council's Employer's Requirements.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 51,700,000.00	Mark Jarrett
Albion Tower Heating Upgrade	Works - to carry out the electrical works for the upgrade of the domestic supply to 150 flats in Albion Tower and also the installation of new emitters within the flats for the maximum efficiency for heating and hot water provisions; to disconnect the landlord supply from the individual flats.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 1,400,000.00	Mark Jarrett
Gas and Electricity Supply Contracts - Housing & Corporate	To procure new Gas and Electricity Supply Contracts for the Housing & Corporate portfolios, to include additional ancillary services - metering, data collection and energy services	Place - Corporate Estate & Assets	31/03/2025	TBC	TBC	TBC	TBC	£ 17,000,000.00	Jason Barrett
Woodmill Waterside Assets	Corporate Assets and Estates Division are seeking to put in place a Measured Term Contract (MTC) for the upkeep of the waterside assets at Woodmill, Southampton.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	12	£ 200,000.00	Mark Jarrett

Teleswitch meter replacement and controls works	<p>The works are to add additional controls to each landlords off peak heating meter to allow switching and isolation.</p> <p>This shall consist of 7 day timeclocks and external thermostat sensors to restrict the heating times for the residence.</p> <p>The controls shall switch electrical contactors on the mains supply.</p>	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 42,000.00	Mark Jarrett
Warden Call System: Replacement Digital Upgrade (2025)	Design, supply and install the new Warden Call system and replacement of devises.	Place - Corporate Estate & Assets	19/07/2026	TBC	TBC	TBC	TBC	£ 2,102,650.00	Mark Jarrett
Mechanical (Servicing & Maintenance) MTC	Mechanical MTC will cover all mechanical items for Southampton city council buildings in both corporate and domestic portfolio for servicing, maintenance, reactive repairs, and emergency calls outs to maintain compliance with mechanical systems such as gas.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 3,800,000.00	Mark Jarrett
Civic Flooring Remedials - Drainage Survey	Fully CCTV Survey the drains of the Southampton Civic Centre. Clear any obstructions. Provide fully detailed mapping (including drain levels and features such as irrigation tanks).	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ -	Mark Jarrett
Holyrood Estate District Heating Energy Efficiency and Metering works	To deliver required and specified energy efficiency works to district heating service, along with metering and billing solution to meet the Metering and Billing Regulations.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	12	£ 1,100,000.00	Mark Jarrett
Reroofing Contract (Pitched - 2024) - SCC Framework Mini-competition	Mini competition for pitched roof under Pitched Roof Replacement Framework 2020-2024	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Reroofing Contract (Flat - 2024) - SCC Framework Mini-competition	Mini competition for pitched roof under Pitched Roof Replacement Framework 2020-2024	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett

Digital TV Servicing	The maintenance including repairs, replacements and servicing of the Digital TV systems and satellite dishes throughout the properties within Southampton	Place - Corporate Estate & Assets	N/A	TBC	T	36	24	£ 85,000.00	Mark Jarrett
The Compass School: Roof Works (Professional Services)	Delivery of Professional Services associated with design, specifying, contract administration, cost management and Principle Designer Services.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 70,000.00	Mark Jarrett
The Compass School: Door Safety Survey	Delivery of Professional Services associated with surveying and reporting on defects to doors and frames, output report to identify H & S risks associated with defect identified and recommend remedial actions.	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	N/A	£ 20,000.00	Mark Jarrett
34a Westridge Rd Refurbishment	Main Works Contractor to undertake internal refurbishment, redecoration and including M&E aspects and some external works.	Place - Corporate Estate & Assets	N/A	TBC	TBC	5	N/A	£ 500,000.00	Mark Jarrett
Measured Term Contract for Concrete Repairs and Associated Works	Measured Term Contract for Concrete Repairs and Associated Works	Place - Corporate Estate & Assets	14/05/2024	TBC	15/05/2024	TBC	TBC	£ 900,000.00	Mark Jarrett
Technical advise for future procurement relating to contractual rectification works, that present Significant Health and Safety matters sites of SCC housing stock	Provide both technical advice for future procurement relating to contractual rectification works, that present Significant Health and Safety matters sites of SCC housing stock. To provide an Independent Expert Witness service relating to the works matters for all future legal proceedings, leading to litigation to a third party for liability and costs.	Place - Corporate Estate & Assets	N/A	TBC	TBC	12	TBC	£ 150,000.00	
Water Retail Services	Provision of Water Retail Services	Place - Corporate Estate & Assets	31/03/2026	TBC	01/04/2026	36	24	£ 1,850,000.00	TBC
Hearing Impairment Equipment Maintenance MTC 2023-2027	Delivering a servicing and preventative maintenance service, undertaking repairs where necessary and carrying out upgrading works where required to existing hearing impairment equipment in around 202 No properties and around 26 No. communal areas owned and managed by Southampton City Council; to include associated electrical works.	Place - Corporate Estate & Assets	30/03/2027	TBC	31/03/2027	48	24	£ 443,975.24	Mark Jarrett

Cyclical Redecorations (and Associated Work/Repairs)	Cyclical Redecorations (and Associated Work/Repairs)	Place - Corporate Estate & Assets	31/03/2025	TBC	01/04/2025	36	24	£ 4,000,000.00	TBC
Communal Doors & Entry Systems (Installations & Maintenance)	Communal Doors & Entry Systems (Installations & Maintenance)	Place - Corporate Estate & Assets	31/03/2024	TBC	01/04/2024	60	-	£ 1,750,000.00	Mark Jarrett
New Replacement Lifts (Albion, Redbridge and Shirley Towers): Term Servicing Contract	New Replacement Lifts (Albion, Redbridge and Shirley Towers): Term Servicing Contract	Place - Corporate Estate & Assets	06/05/2024	TBC	07/05/2024	12	-	£ -	Mark Jarrett
Roofing Programme (2020) - Flat Roofs	Roofing Programme (2020) - Flat Roofs	Place - Corporate Estate & Assets	13/08/2024	TBC	14/08/2024	36	-	£ 14,000,000.00	Mark Jarrett
Carbon Action Planning Tool - CAPT	The Carbon Action Planning Tool (CAPT) has been developed by Dr Phil Wu at Southampton University working alongside both Southampton City Council (SCC) and Portsmouth City Council. The tool will help to further SCC's aspirations and commitment that the council will be carbon neutral by 2030, as detailed in the Green City Plan. The software offers a cost-effective route to identify and report energy efficiency and carbon saving measures, which includes solar business case development on the council assets.	Place - Corporate Estate & Assets	30/06/2025	TBC	01/07/2025	48	-	£ 39,200.00	Mark Jarrett
Potters Court Heating and hot water billing services	Potters Court Heating and hot water billing services	Place - Corporate Estate & Assets	31/03/2026	TBC	01/04/2026	64	-	£ 51,246.00	Mark Jarrett
Chilled Water Agreement - Civic Centre IT Suite	Chilled Water Agreement - Civic Centre IT Suite	Place - Corporate Estate & Assets	30/09/2026	TBC	01/10/2026	240	-	£ -	James Gillie
Roofing Programme (2020) - Pitched Roofs	Roofing Programme (2020) - Pitched Roofs	Place - Corporate Estate & Assets	13/08/2024	TBC	14/08/2024	36	-	£ 9,000,000.00	Mark Jarrett
BCIS Online 5 Year Subscription Renewal	Renewal of professional information service essential for the property services provided by Property to various clients in council service departments	Place - Corporate Estate & Assets	01/11/2026	TBC	TBC	60	-	£ 8,000.00	Chris Russell

Fire Risk Assessments (Citywide)	The delivery of an effective, citywide programme of Fire Risk Assessments (to include reporting on findings and recommending all appropriate actions, etc) to the full range of properties and structures owned and managed by Southampton City Council (SCC), as well as others for which they have a responsibility, all as specified within the suite of bidding documents; ensuring full compliance with its legal and regulatory obligations.	Place - Corporate Estate & Assets	05/09/2024	TBC	06/09/2024	36	12	£ 1,142,000.00	Mark Jarrett
Fire Door Inspection Programme (Citywide)	Delivering an effective programme of Fire Door Inspections (to include reporting on findings and recommending all appropriate actions, etc) to the full range of residential blocks of flats owned and managed by Southampton City Council (SCC), as well as others for which they have a responsibility.	Place - Corporate Estate & Assets	29/02/2025	TBC	01/03/2025	24	12	£ 1,579,618.00	Mark Jarrett
Warden Call & Telecare Systems (Servicing, Maintenance, Repairs & Upgrading Works)	Delivering a servicing and preventative maintenance service, undertaking repairs where necessary and carrying out upgrading works where required to existing warden call and telecare systems in around 115 No properties owned and managed by Southampton City Council; to include associated electrical works.	Place - Corporate Estate & Assets	19/07/2026	TBC	20/07/2026	48	24	£ 291,280.57	Mark Jarrett
Servicing of roller shutter bin stores within the housing, corporate and education portfolio	The purpose of this Contract is to provide a Maintenance, Repair and Call Out service for the Southampton City Council Roller Shutter Doors & Bin Stores, installed within both housing and non-housing properties owned by Southampton City Council. The systems are installed in various locations within the Southampton boundaries	Place - Corporate Estate & Assets	20/09/2025	TBC	21/09/2025	36	24	£ 155,652.00	Mark Jarrett
Millbrook Biomass Heat Centre Managed Service	To manage and maintain Millbrook Biomass Heat Centre.	Place - Corporate Estate & Assets	01/03/2025	TBC	02/03/2025	36	24	£ 46,560.00	Mark Jarrett

Intruder Alarms, CCTV Installations & Door Access Control Systems (Servicing, Maintenance & Repairs)	Servicing, preventative maintenance and associated electrical works, repairs and upgrades to existing intruder alarm systems, CCTV installations and door access control systems at schools and public buildings. to include associated electrical works.	Place - Corporate Estate & Assets	20/10/2026	TBC	21/10/2026	48	24	£ 319,712.00	Mark Jarrett
Maintenance of Woodmill sluice gates	To maintain Woodmill sluice gates	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 2 - Phase 1 of 2)	Tranche 02 cover the 3 HRRBs [RED / MBR / CAN] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 200,000.00	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 2 - Phase 2 of 2)	Tranche 02 cover the 3 HRRBs [RED / MBR / CAN] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 200,000.00	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 4 - Phase 1 of 2)	Tranche 04 covers 4 HRRBs [DMT / HIG / MER] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 200,000.00	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 4 - Phase 2 of 2)	Tranche 04 covers 4 HRRBs [DMT / HIG / MER] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 200,000.00	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 5 - Phase 1 of 2)	Tranche 04 covers 5 HRRBs [CPH / RTD / HAM / HAV / OSL] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 300,000.00	Mark Jarrett
Intrusive Structural Surveys to SCC Tower Blocks (Tranche No 5 - Phase 2 of 2)	Tranche 04 covers 5 HRRBs [CPH / RTD / HAM / HAV / OSL] .	Place - Corporate Estate & Assets	N/A	TBC	04/09/2024	TBC	N/A	£ 300,000.00	Mark Jarrett
CDM Advisor Appointment	Supplier to undertake a statutory function and maintain SCC's compliance with the Construction Design Management Regulations 2015	Place - Corporate Estate & Assets	N/A	TBC	TBC	6	TBC	£ 25,000.00	Mark Jarrett
Heritage Assets Repair Programme (Works) - Ph 3 (of 3)	Heritage Assets Repair Programme (Works) - Ph 3 (of 3)	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Holyrood Estate District Heating Energy Efficiency and Metering works - Professional Services	Professional services to include client side PM / technical support for required condition survey work	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Harefield Childrens Centre - Paintpots Pre-school		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 20,000.00	Mark Jarrett
Fire Safety Works Mason Moor Primary		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 243,000.00	Mark Jarrett
DT Block Green Lane (SEND)	Refurb and fenestration works	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 231,000.00	Mark Jarrett
SEND Review	SEND Programme : - Refurb works at Green Lane - New build work and refurb works at Vermont Close - Refurb works at Bay Close (St Monica)	Place - Corporate Estate & Assets	N/A	TBC	Summer 2025	TBC	TBC	£ 40,756,000.00	Mark Jarrett

Green Lane Modular Purchase (SEND)	Permanent planning permission for modular units at Green Lane	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 770,000.00	Mark Jarrett
SEND - 2 primary classrooms for Sept 22		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 250,000.00	Mark Jarrett
Newtown Early Years Nursery (YMCA)	M&E Works to repair water ingress	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 150,000.00	Mark Jarrett
Chamberlayne Refurbishment	Refurbishment of school and new sports centre	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 1,887,000.00	Mark Jarrett
Mount Pleasant Junior – Cast Iron Pipework / Asbestos		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 50,000.00	Mark Jarrett
Townhill Junior	Major roofing works	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 1,490,000.00	Mark Jarrett
St George’s Expansion Phase 2	Design and construction of library and dining area	Place - Corporate Estate & Assets	N/A	TBC	Late 2024	TBC	TBC	£ 3,200,000.00	Mark Jarrett
PSBP St Denys		Place - Corporate Estate & Assets	N/A	TBC	19/12/2023	TBC	TBC	£ 4,000.00	Mark Jarrett
Mount pleasant fencing Work	Fencing to secure pathway adjacent to school following PSPO order	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 6,000.00	Mark Jarrett
Maytree School Playground Fence	Fencing to secure pathway adjacent to school following PSPO order	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 30,000.00	Mark Jarrett
Fairisle Junior School High level Windows Kitchen	Commercial Kitchen and canopy works, including windows	Place - Corporate Estate & Assets	N/A	TBC	24/07/2023	TBC	TBC	£ 127,000.00	Mark Jarrett
Childrens Services - Residential Unit	Refurb works to residential premises	Place - Corporate Estate & Assets	N/A	TBC	24/01/2024	TBC	TBC	£ 1,663,000.00	Mark Jarrett
Childrens Services - Assessment Unit	Refurb works to residential premises	Place - Corporate Estate & Assets	N/A	TBC	24/02/2024	TBC	TBC	£ 1,289,000.00	Mark Jarrett
St Georges - Boilers	Temporary heating followed by M&E works to upgrade heating system.	Place - Corporate Estate & Assets	N/A	TBC	Transfer Complete - 12/23	TBC	TBC	£ 150,000.00	Mark Jarrett
Regents Park - Roof Issue		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 10,000.00	Mark Jarrett
St Marys - Downpipes	Downpipes replacement	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 110,000.00	Mark Jarrett
Oakwood - Heating	Refurb of heating system	Place - Corporate Estate & Assets	N/A	TBC	Early 2024	TBC	TBC	£ 164,000.00	Mark Jarrett
Redbridge Primary School - Screed	Flooring works	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 145,000.00	Mark Jarrett
Bitterne Park Primary - Windows	Window repair/replacement	Place - Corporate Estate & Assets	N/A	TBC	Summer 2024	TBC	TBC	£ 60,000.00	Mark Jarrett
Fairisle Infants - Pipework	M&E works to clear blockages	Place - Corporate Estate & Assets	N/A	TBC	24/02/2024	TBC	TBC	£ 418,000.00	Mark Jarrett
Further Expansion of Early Years	420 early year places provision	Place - Corporate Estate & Assets	N/A	TBC	24/09/2024	TBC	TBC	£ 180,000.00	Mark Jarrett
Regents Park Boiler		Place - Corporate Estate & Assets	N/A	TBC	Early 2024	TBC	TBC	£ 80,000.00	Mark Jarrett
Roofing Programme (2024) - Flat Roofs	Roofing Programme (2024) - Flat Roofs	Place - Corporate Estate & Assets	N/A	TBC	Early 2024	TBC	TBC	£16,000,000.00	Mark Jarrett

Roofing Programme (2024) - Pitched Roofs	Roofing Programme (2024) - Pitched Roofs	Place - Corporate Estate & Assets	N/A	TBC	Early 2024	TBC	TBC	£12,000,000.00	Mark Jarrett
26 New Digital Lines	26 New Digital Lines	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Millbank House	Refurbishment work at Millbank House	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	£ 8,000,000.00	Mark Jarrett
Structural Inspections	High rise inspections - part of Building Safety Act Requirement	Place - Corporate Estate & Assets		TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Fire Safety High Risk Ventilation Upgrades	Part of the Fire Safety Programme of work	Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
Shed Door Replacement - Foxcott and Fullerton		Place - Corporate Estate & Assets	N/A	TBC	Early 2024	TBC	TBC	£ 300,000.00	Mark Jarrett
Canberra Towers ECO Project		Place - Corporate Estate & Assets	N/A	TBC	TBC	TBC	TBC	TBC	Mark Jarrett
IW - Passive Fire Safety Programme (8 No High Rise Tower Blocks) - Works	The rectification work to fire safety details in 8 high rise tower blocks comprising 840 occupied dwellings mainly in two bed flats.	Place - Corporate Estate & Assets	N/A	TBC	TBC	Not known	N/A	TBC	Mark Jarrett

STRATEGY AND PERFORMANCE

Advertising - Out of Home Large Format	ADVERTISING - Out of Home - Large Format	Strategy & Performance - Communications & Business Marketing	31/12/2026	01/06/2026	01/01/2027	TBC	TBC	£700,000	Jason Barrett
Advertising - Out of Home Small Format	ADVERTISING - Out of Home - Small Format	Strategy & Performance - Communications & Business Marketing	31/12/2026	01/06/2026	01/01/2027	TBC	TBC	TBC	Jason Barrett
Software for Design and Print DPS	Software for Design and Print DPS	Strategy & Performance - Communications & Business Marketing	30/07/2024	01/02/2024	01/08/2024	24	12	£72,000	Jason Barrett
Design and Print DPS	Design and Print DPS	Strategy & Performance - Communications & Business Marketing	N/A	TBC	TBC	60	60	£3,000,000	Jason Barrett

WELLBEING AND HOUSING

Removals Services (General)	Removals, Storage and packaging for use by the homeless service.	Wellbeing & Housing - Housing	06/11/2021	01/04/2024	31/07/2024	36	12	£ 60,000	Stewart Baynham
Call-Off Contract in Relation to Supply of Building Materials	Contract in Relation to Supply of Building Materials to support Housing operations repairs and maintenance of council homes.	Wellbeing & Housing - Housing	31/03/2026	01/10/2024	31/03/2026	22	-	£ 12,000,000	Stewart Baynham
Commercial Laundry Equipment for Sheltered Housing Scheme	Commercial Laundry Equipment for Sheltered Housing Scheme	Wellbeing & Housing - Housing	04/06/2024	01/04/2024	04/06/2024	60	-	£ 127,000	Joanne Hughes
Help2Rent scheme (Landlord/Tenants Insurances) - Homelessness	Specialist insurance provision to provide cover against perceived letting risks.	Wellbeing & Housing - Housing	31/03/2023	01/04/2024	01/06/2024	36	12	£ 20,000	Stewart Baynham

Plants for People (RfE 393)	Mental health project to enable SCC tenants in these areas of high deprivation to access this service in Holyrood(1), Maybush (2), Weston (3), Sholing (4), Thornhill (5) and Shirley (6) for the next 5 years	Wellbeing & Housing - Housing	31/07/2025	01/02/2025	01/08/2025	60	-	£ 200,000	Stewart Baynham
Mediation and Assessment Service for Housing	Conflict management service which will be available to all eligible residents within the City of Southampton via an agreed referral procedure.	Wellbeing & Housing - Housing	31/10/2027	01/07/2025	01/11/2025	60	12	£ 400,000	Stewart Baynham
Housing Operations Voids Sub Contractor Contract	Housing Operations Voids Sub Contractor Contract	Wellbeing & Housing - Housing	30/04/2025	01/02/2025	01/05/2025	24	24	£ 195,000	Stewart Baynham
Lease to existing Nursling depot	To maintain a depot for delivering Hsg Ops business and service including licenced waste transfer station (Links also to the materials storage options appraisal)	Wellbeing & Housing - Housing	Apr-26	Jan-25		5	-	N/A	Stewart Baynham
Hate Crime Third Party Network	Southampton's network of 'Hate Crime' Third Party Reporting Centres (TPRC), to improve local reporting systems through the provision and maintenance of a Hate Crime Reporting App and to facilitate and host a Hate Crime network of local partner agencies. This includes developing promotional and training materials for application across the city and within its partnerships.	Wellbeing & Housing - Stronger Communities	31/03/2025	01/11/2024	01/04/2025	36	12	£ 40,000	Stewart Baynham
Telecare Equipment	Telecare equipment for monitoring platform	Wellbeing & Housing	Apr-24	Apr-24	01/06/2024	36	12	£ 100,000	Stewart Baynham
Alarm Monitoring	Alarm Monitoring Services PCC	Wellbeing & Housing	Jun-24	Sep-24	01/09/2024	48	12	£ 50,000	Stewart Baynham

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Highways and Associated Services Arrangement

Following a review of its requirement for highways and associated services for future years, the council has identified the need to procure a “single provider” arrangement(s) to deliver elements of the highways and associated services with effect from the end of the existing Highways Strategic Partnership (HSP) and Citywatch contracts.

Both these contracts are delivered through Balfour Beatty Living Places (BBLP) and expire on 30 September 2025. There are no further extension options available in respect of the HSP contract however, there remains a potential 2-year extension available to the council in respect of the Citywatch contract.

Background

The council has an obligation under the Highways Act 1980, the New Roads and Streetworks Act 1991, the Road Traffic Regulation Act 1984, the Traffic Management Act 2004 plus other associated legislation, to deliver a safe, maintained highway network that is fit for purpose.

In order to ascertain the appropriate delivery model for the future highways and associated services, a Delivery Model Assessment (DMA) was completed which recommended a “single provider” model (i.e a single commercial arrangement whereby most services are delivered by a private sector partner but where the council retains some elements of service such as policy and strategy). It also recommended further considering the incorporation of highways and citywatch services within one single provider arrangement to deliver efficiencies.

In the context of the severe financial constraints the council is experiencing, officers are reviewing the scope of services to be delivered under a replacement contract(s). As a minimum, the scope will ensure that the council’s statutory duties are delivered but may result in recommending a narrower scope of service and reduced service/performance standards when compared to the existing contracts. It will also recommend whether to include some or all services delivered under the existing HSP and Citywatch contracts within one single provider agreement.

Consideration is also being given to whether now is the right time to set a longer-term partnership of this nature or whether a shorter arrangement with a focus on a lean and efficient approach coupled with the lowest possible costs is the priority.

The intention is to commence the procurement process for the replacement contract under the current procurement legislative regime (i.e. prior to the coming into force of the new Procurement Act expected in October 2024).

Procurement Risks

Undertaking a procurement for a long-term contract (which would ordinarily be appropriate for highways services) requires considerable resource and brings risks associated with uncertainty of costs and bidder appetite. Until tenders are received, it will be difficult to estimate the actual costs of the new arrangement to the council which is a particular challenge at a time when the council requires cost certainty and is needing to restrict spending.

Current and recent market conditions continue to bring uncertainty to tendering and there is a risk that procuring a longer-term arrangement now will result in highly volatile pricing and tenderers seeking to transfer critical risks back to the council.

The council must consider the impact of the current financial situation on the market's appetite (when noting the likely reduction in capital spend at least during the short term) when compared with spend over the past 15 years.

Market engagement and research indicates that a number of authorities will be going to market for highways and associated service contracts between now and 2026 and potential bidders and industry and procurement specialists are reporting that bidders are carefully identifying which opportunities to tender for, due to the cost, time and risk associated with a competitive procurement process.

The council's current financial situation is affecting the level of resources which can be allocated to the project and increases risk around certainty of project delivery within the required timescales.

Financial implications

This report seeks to obtain approval to spend of a budget which is based on 2024/25 revenue of approximately £5 million, excluding inflation for subsequent years.

Current indications from informal market engagement is that committing to a guaranteed level of capital expenditure as part of the contract would be beneficial when encouraging competitive bids but due to the council's current financial situation, it is likely that any commitment guarantee would be considerably less than spent through the existing HSP arrangement.

Procurement Route Recommendations

Activity is currently underway to review options available to the council for appointing a single provider(s) with the purpose of securing and evidencing best value through the procurement, implementation and resulting arrangement as well as ensuring continuity of services for users and residents at a time where the council resources are limited.

**SOUTHAMPTON CITY COUNCIL
COUNCIL TAX CALCULATION 2024/25**

	2023/24 £M	2024/25 £M	Change £M	%
Budget Requirement (a)	221.45	239.25	17.80	8.04%
Less Non Domestic Rating Income	(47.45)	(51.21)		
Less Business Rates S31 Grants	(16.53)	(18.66)		
Less Top Up Payment/Plus Tariff	(5.36)	(6.10)		
Less Revenue Support Grant	(12.88)	(13.73)		
Other Central Grant Funding	(22.04)	(25.87)		
Aggregate External Finance	(104.25)	(115.57)	(11.32)	10.86%
Deficit/(Surplus) on Council Tax Collection Fund	0.26	0.99		
Deficit/(Surplus) on Business Rates Collection Fund	(1.69)	(3.24)		
Net General Grant Income & Business Rates (b)	(105.68)	(117.82)	(12.14)	11.49%
Amount to be met from Council Tax (a - b)	115.77	121.43	5.66	4.89%
Tax base	67,057.0	66,989.0	(68.0)	-0.10%
Basic amount of Council Tax (Band D)	1,726.47	1,812.69	86.22	4.99%
Last years Council Tax		1,726.47		
Council Tax - General Increase	2.99%	51.69		
Council Tax - Adult Social Care Precept	2.00%	34.53		
Total Annual Cash Increase		86.22		
Total Increase (%)		4.99%		

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COLLECTION FUND ESTIMATES 2024/25

	2023/24 £000	2024/25 £000	Change £000	Change %
Southampton City Council Precept	115,771.9	121,430.3	5,658.4	4.89%
Hampshire Police Precept	16,862.2	17,514.9	652.8	3.87%
Fire and Rescue Services Precept	5,393.4	5,549.4	156.0	2.89%
Income due from Council Tax Payers	138,027.4	144,494.6	6,467.2	4.69%
Tax Base for Area	67,057.0	66,989.0	(68.0)	-0.10%
Basic Amount of Tax for Band D Property	2,058.36	2,156.99	98.63	4.79%

SCC Council Tax increase per Property Band 2024/25

	SCC Band Charge	Council Tax Increase	SCC Band Charge	Police Band Charge	Fire & Rescue Band Charge	Total
Band	2023/24	4.99%	2024/25	2024/25	2024/25	2024/25
A	£1,150.98	57.48	£1,208.46	£174.31	£55.23	£1,438.00
B	£1,342.81	67.06	£1,409.87	£203.36	£64.43	£1,677.66
C	£1,534.64	76.64	£1,611.28	£232.41	£73.64	£1,917.33
D	£1,726.47	86.22	£1,812.69	£261.46	£82.84	£2,156.99
E	£2,110.13	105.38	£2,215.51	£319.56	£101.25	£2,636.32
F	£2,493.79	124.54	£2,618.33	£377.66	£119.66	£3,115.65
G	£2,877.45	143.70	£3,021.15	£435.77	£138.07	£3,594.99
H	£3,452.94	172.44	£3,625.38	£522.92	£165.68	£4,313.98

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Agenda Item 4

Appendix 19

Government Grants

	2023/24 Revised Estimate £M	2024/25 Estimate £M
General Government Grants		
Social Care Grant	18.47	24.30
S31 Business Rates Grants	16.45	18.66
Revenue Support Grant	12.88	13.73
Business Rates Retention Top-up	5.36	6.10
Services Grant	2.24	0.39
Other grants less than £1M	2.61	1.27
	58.01	64.45
Service Specific Government Grants		
Dedicated Schools Grant	159.32	179.32
Housing Benefit Grant	57.35	57.35
Public Health Grant	18.46	18.85
Improved Better Care Fund	10.70	10.70
Pupil Premium	10.53	10.49
Private Finance Initiative (PFI)	5.86	5.86
Household Support Fund	4.45	0.00
ASC Market Sustainability and Improvement Fund	4.29	4.85
Mainstream School Additional Grant	3.54	0.00
Unaccompanied Asylum Seeking Children	2.70	2.70
Rough Sleeper Initiative	1.70	1.42
Adult Social Care Discharge Fund	1.50	2.50
Family Hubs/Start for Life Programme	1.40	1.23
Homelessness Prevention Grant	1.37	1.43
Universal Infants Free School Meals	1.27	1.27
Holiday Activities and Food Programme	1.23	1.21
Supplementary Substance Misuse Grant	1.07	2.07
Other grants less than £1M	17.81	11.22
	304.56	312.49
Total Government Grants	362.57	376.94

Grants less than £1M are not itemised

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Budget Proposals 2024/25 Equality and Safety Cumulative Impact Assessment

March 2024

Equality and Safety Cumulative Impact Assessment

Introduction

1. Southampton City Council, in line with its statutory responsibilities, undertakes Equality and Safety Impact Assessments (ESIAs). ESIAs provide a systematic way of assessing the impact of policies, strategies, programmes, projects, services or functions on different equality groups - and on poverty and community safety. During the council's annual budget cycle, ESIAs are completed for all proposals identified as requiring them to inform decision making.
2. This document draws into one place a summary of all the ESIAs for the 2024/25 March budget proposals. This assessment focuses on service-based proposals identified as having a direct impact on customers/residents and which will impact on the budget position for the council for the 2024/25 financial year.
3. It is important to fully understand the impact of the budget proposals on equality groups (identified in paragraph 11) and on community safety, poverty and health and wellbeing. The council, working with others, will need to take action to mitigate the collective impact of any such proposals. Mitigating actions could include re-shaping services to target more efficiently and to reduce the potential of disproportionate impacts on equalities groups, community safety, poverty and health and wellbeing.

Context

4. Over recent years, Southampton City Council has had to change significantly in response to ongoing changes in the city's profile, trends in customer behaviour, national and local policies and the impact of the Covid-19 pandemic and cost of living crisis. This has been accompanied by ongoing challenges in the shape of rising demand in adults and children's social care.
5. The Covid-19 pandemic has left an impact on the city and its residents which is shown in increased pressures on adult social care, looked after children and waiting list backlogs across public services. Southampton City Council played a critical role in helping to lead the local response to the pandemic. It continues to support residents, communities and businesses with the recovery.
6. The cost of living crisis is now impacting on residents in the city. It refers to a decline in 'real' income (adjusted for inflation) experienced in the UK since late 2021. The consumer price index (CPI) inflation rate rose by 6.7% in the 12 months to August 2023, down from 6.8% in July 2023. Due to high inflation rate the Bank of England have increased interest rates to 5.25% August 2023 up from 1.25% in August 2022. Although rising costs will affect all, it is expected that more deprived households are experiencing poorer outcomes.
7. It is against this backdrop that decisions are being made about increasing fees and charges across a range of services due to rising costs faced by Southampton City Council whilst recognising the deep impact the cost of living crisis is having on residents. The council is providing support in partnership with other providers, and has put together an [online Cost of Living guide](#) to what is available from the community and Government.

8. This Cumulative Impact Assessment covers the budget proposals for the financial year 2024/25 which are being reported to Cabinet in March 2024 and will be proposed subject to the outcome of the consultation to Full Council in March 2024.
9. This Cumulative Impact Assessment also includes other consultations that have taken place across the council services that may not directly impact the budget but collectively could have a cumulative impact on our identified protected characteristic groups, those additional consultations are
 - [City Centre On & Off-Street Tariff Changes - \(City Centre\) \(Amendment 2\) Order 2023 & \(Off-Street Parking Places\) \(Amendment 1\) Order 2023](#)
 - [Simplify the Itchen Bridge tariff](#)
 - Adult Social Care Charging Policy
 - Holcroft House
 - School Travel Service Policy

Legal Framework – Equalities

10. The Public Sector Equality Duty, section 149 of the Equality Act, came into effect on 5th April 2011 and places a duty on all public bodies and others carrying out public functions.
11. The Public Sector Equality Duty (the Equality Duty) replaced three previous public sector equality duties – for race, disability and gender, and broadened the breadth of protected characteristics to include:
 - Age
 - Disability
 - Gender reassignment
 - Marriage and civil partnership, but only in respect of the requirements to have due regard to the need to eliminate discrimination.
 - Pregnancy and maternity
 - Race – ethnic or national origins, colour or nationality
 - Religion or Belief – including lack of belief
 - Sex
 - Sexual orientation.
12. The Act was designed to ensure public bodies consider the needs of all individuals in their day to day work, including: shaping policy, delivering services and employment of employees. It requires public bodies, such as local councils not to discriminate against any person on the basis of a protected characteristic such as disability. The legislation strengthened existing provisions about discrimination to also include associative and perceptive discrimination as well as direct and indirect discrimination.
13. Direct discrimination occurs when a rule, policy or practice offers less favourable treatment to a group and indirect discrimination occurs by introducing a rule, policy or practice that applies to everyone but particularly disadvantages people who have a protected characteristic. Direct discrimination will always be unlawful. Indirect discrimination will not be unlawful if it can be justified, for instance it can be shown that the rule, policy or practice was intended to meet a legitimate objective in a fair, balanced and reasonable way.

14. In considering whether or not any indirect discrimination is justified, the council must consider whether or not there is any other way to meet their objective that is not discriminatory or is less likely to disadvantage those with protected characteristics. This may well mean setting out clearly whether or not consideration has been given to other ways of achieving these objectives.
15. The Equality Duty does not impose a legal requirement to conduct an Equality and Safety Impact Assessment, rather it requires public bodies to demonstrate their consideration of the Equality Duty and the conscious thought of the Equality Duty as part of the process of decision-making. This entails an understanding of the potential effect the organisation's activities could have on different people and a record of how decisions were reached. Producing an Equality and Safety Impact Assessment post decision making is non-compliant with the Public Sector Equality Duty. For this reason the council requires adherence to the existing impact assessment framework.

Legal Framework - Community Safety

16. Community Safety is a broad term. It refers to the protection of local communities from the threat and consequence of criminal and anti-social behaviour by achieving reductions in relation to both crime and the fear of crime.
17. Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder, including antisocial behaviour and other behaviour adversely affecting the local environment; and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision-making. This means consideration must be given to the likely impact on crime and disorder in the development of any policies, strategies and service delivery. This responsibility affects all employees of the council.

Other considerations

18. In line with the [Southampton Health and Wellbeing Strategy 2017-2025](#) the council has committed to ensuring that health inequalities are taken into account in policy development, commissioning and service delivery. This means that consideration will be given to impacts on health and wellbeing in the ESIA's.
19. In March 2023 Full Council passed a motion that Southampton City Council will treat care experience in a similar manner to a protected characteristic so that future services and policies made and adopted by the Council should be assessed through equality impact assessments, which have been updated to include consideration of care experienced to determine the impact of changes on people with care experience, alongside those who share a Protected Characteristic.
20. The council's approach on assessing the impact of its policies, proposals and decisions, is designed to demonstrate that it has acted over and above its statutory duties. This is reflected in including poverty in the ESIA, as the council is committed to addressing the impact on poverty for people in work and unemployed and for other low-income households.
21. The ESIA's also consider any other significant impacts that exist in relation to the proposal and decision.

Scope and our approach

22. This assessment identifies those proposals as well as those in the budget where there is a risk that changes resulting from individual proposals, may have, when considered together, negative impacts on particular groups.
23. It is important to note this is an ongoing process. As individual budget proposals are developed and implemented, they will be subject to further assessment. This assessment also describes mitigating actions that will need to be considered.
24. This Cumulative Impact Assessment reflects the latest assessment of impacts of the relevant budget proposals.

City Profile

25. The most recent data available for the population of Southampton is from the Office of National Statistics (ONS) Census which took place on 21 March 2021. In Southampton, the population size has increased by 5.1%, from around 236,882 in 2011 to 248,922 in 2021. This is lower than the overall increase for England of 6.6%. Southampton ranked 70th for total population size out of 309 local authority areas in 2021. This is the same position it held a decade ago in 2011.
26. Although the overall population has increased, there are variations by age group within the city:
 - There was a decrease of 10.5% in the under 5 years population between 2011 (15,407) and 2021 (13,795) which is reflective of decreasing birth rates locally and nationally,
 - The population aged 5 to 14 has increased by 20.9% to 28,288,
 - The population aged 15 to 24 has decreased by 9.4% which reflects the reduced student residency in the city during the pandemic
 - The number of people aged 65 to 84 has increased by 13.7% reflecting the aging population.
27. The number of households in Southampton increased from 98,254 in 2011 to 102,294 in Census 2021, an increase of 4.1%. Further detailed census data relating to protected characteristics will be issued by the ONS between now and summer 2023.
28. Data in the Southampton City Council Statement of Accounts 2022 show:
 - 6,920 (3.8%) working age residents are claiming Job Seekers Allowance or work-related Universal Credit as of May 2022.
 - There are 109,210 properties in the city with 48.8% owner occupied, 21.9% private rented and 29.3% social rented (figure for properties comes from VOA) details of tenure is from Census 2021)
 - The council provide 16,352 council houses as of April 2022
29. The Indices of Multiple Deprivation (IMD) provide another range of data about the city. This focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. The most recent IMD was published in 2019 and is largely based on data from 2015/16. This indicates that, since the last IMD

published in 2015, Southampton has become relatively less deprived compared to other places in the country. Of the 317 local authorities in England, Southampton is now ranked 55th most deprived, compared to 54th in IMD 2015 where 1 is the most deprived.

**Table1:
Budget Proposals: Impact By Protected Characteristics, Community Safety, Health and Wellbeing and Poverty.**

Description of Proposal	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Belief	Sex	Sexual Orientation	Community Safety	Poverty	Care Experienced	Health & Wellbeing	Other
Adult Social Care Charging Policy	X	X									X			
Holcroft House	X	X									X		X	X
School Travel Service Policy	X	X												
City Centre On and Off-Street Changes		X									X			
Removal of the off-peak classification from the Itchen Bridge toll											X			
Additional Council Tax premium for properties empty more than 12 months - legislation dependent														X
Introduce additional Council Tax premium for second homes - legislation dependent														x
HRA – Landlord Controlled Heating											X		X	
HRA – Rental increases											X	X	X	

Age

30. People in later life may be more likely to use some council services and so may be more vulnerable than the general population to reductions or changes in those services. This vulnerability will be worsened for those living on low incomes. Some older people may feel the impact of several proposals.
31. The cost of living crisis is also impacting on specific age groups disproportionately with proposals related to price increases having a further cumulative impact. Mosaic groups have been analysed in terms of this impact with the following being the top 3 in Southampton most vulnerable to rising costs:
- Family Basics – families with limited resources who budget to make ends meet. Predominantly 26-35/36-45 year olds. 31% have 2 children, most of which are 5-11yrs old. They have low discretionary income
 - Municipal Tenants – mainly 46-55/56-65 year olds. Renting high density housing from social landlords. They are often single and on low household incomes. 84% do not have children
 - Vintage Value – over 66 years old with a household income lower than £15,000 and often living in fuel poverty.
32. The proposals relating Adult Social Care Charging Policy and Holcroft House have an impact on age.
33. **Adult Social Care charging policy** Southampton City Council is proposing to make changes to the charging policy affecting 2,654 customers with one or more current package of care, the main changes are:
- Overhaul of the process for managing people's disability-related expenses
 - Changing the way we charge for care which is cancelled
 - Clarifying the timing of charges when care first starts
 - Changing the method for calculating the cost of non-residential care, from an average rate to the actual cost
 - Introducing charges for transport
 - Increasing the administration charges for processing deferred payment loans
 - Changing the rate used for the "Minimum Income Guarantee" for new customers aged between 60 and state pension age
 - Improvements to the general structure and accessibility of the ASC Charging policy document
34. We have identified the following impacts:
- the age breakdown for adult social care customers is 44% aged 18-64 and 56% aged 65 and over.
 - Older people may be unable to access the new charging policy online.
 - Change 7 (Changing the rate used for the "Minimum Income Guarantee" for new customers aged between 60 and state pension age) will directly impact new customers aged 60 to pension age.
35. We have identified the following mitigating actions:
- Hard copies of the policy will be available on request and the initial letters sent to customers will include a phone number and email address to use for requesting hard copies.

- Customers who find their charges unaffordable can consider claiming disability-related expenses (DREs), or appealing the outcome of their financial assessment.
- The Care Act requires that the council does not charge anyone more than they can afford, and in applying the proposed changes to the policy, this principle does not change.

36. **Holcroft House:** The decision was made by Cabinet on 19th September to close Holcroft House a 34 bedroom residential home providing short and long term care for adults living with dementia. There are currently 14 long term residents and 4 temporary residents. A Fire Safety Assessment (FSA) has identified a number of issues that will need addressing at Holcroft House whereby residents will need to relocate during the works over a period of 18 months. Funds were initially identified for the initial work but costs have since increased exponentially and additional work identified in relation to asbestos bringing the current estimations to over £1m, with potential for that to increase.

37. We have identified the following impact:

- The greatest impact will be on those older service users who have been using Holcroft for many years, all of the residents are over 65.

38. We have identified the following mitigating actions:

- Needs assessments and reviews will take place for all residents prior to any changes. Through this process information on alternatives will be made available. Where changes need to be made, a gradual approach will be taken to support those who will be most affected.
- Advocacy services are in place to help support the individuals and ensure that the move is in their best interest.
- Individual transition plans will be produced and updated. Where necessary other professionals and agencies will be called upon to support the individual to minimise any impact.
- There is adequate residential and non-residential provision in or near the boundary of the city.

39. **School Travel Service and Post-16 Travel Service Policy 2024-25**, the proposed changes to the policy are:

- Wording amended to ensure terminology is consistent and more accurately reflects the service offer. This is in line with the service's rebrand from 'Home to School Travel' to 'School Travel Service'.
- Addition of a clear hierarchy of travel support options.
- Additional information on the appeals process.
- Requirement for parents who wish to apply for travel support to list their nearest suitable school on their school application form.

40. We have identified the following impact:

- This School Travel Service policy impacts children of compulsory school age, post-16 students and adult learners (up to age 25 where they are continuing on a course started before their 19th birthday). Travel support will be provided in line with statutory duties.

41. We have identified the following mitigating actions:

- No change to policy or provision.

Disability

42. According to the Equality Act 2010, a person has a disability if he or she has a physical or mental impairment which has a long term adverse effect on that person's ability to carry out day to day activities. People with a disability may be impacted more by some of the proposals compared to those without a disability, with mitigating actions proposed to help address this.
43. People with a disability can face additional living costs. Research by the charity Scope shows life costs £583 more on average a month if you are disabled. For 24% of families with disabled children extra costs can amount to £1,000 a month. Any proposal which increases costs therefore have the potential to have a more acute impact on a person with a disability.
44. **Holcroft House.** We have identified the following impact:
- All residents have a cognitive impairment and a number also have a physical impairment.
 - The proposal may have either a positive or negative impact depending on the individual and the extent to which they prefer current models of service.
 - Those with physical disabilities may experience a larger impact due to some of the alternative options not having the equipment to be able to support appropriately and being able to accommodate in private sector, however, this will be no different to our internal homes.
45. We have identified the following mitigating action:
- Any proposed move will be considered carefully taking into account the persons best interests and their and their families' wishes and feelings. Any move will ensure that the individual's assessed eligible needs for care and support are met, including ensuring they have appropriate equipment.
 - There is adequate residential provision in or near the boundary of the city. Residents and their carers will be supported to identify the most appropriate alternative option which meets their physical needs.
46. **Adult Social Care Charging Policy.** We have identified the following impact:
- 60.4% of adult social care customers are claiming a disability benefit (disability living allowance, attendance allowance or personal independence payments)
 - The overhaul of the process for disability-related benefits (change 1) is therefore relevant to most of our customers.
 - Disabled people are most likely to require council-arranged transport and will therefore be affected by plans to start charging the cost of transport (see change 5). However, disabled customers who are only paying a contribution towards the cost of their care, will not be affected by this.
47. We have identified the following mitigating action:
- Many disabled customers claim a mobility component to their disability benefit which is intended to be used to help with the additional cost of transport. In addition, free and low-cost community transport services are available.
48. **Implementing a standard parking charging period to On street and Off street car parks,** the proposal is to implement a standard parking charge period of Monday to

Sunday 8am to 8pm (on-street) and Monday to Sunday 8am to Midnight (off-street), the implementation of increased on-street and off-street parking tariffs, the removal of 10 minute free charging periods (except from St. Marys Road and Compton Walk) and the changing of St. Marys Road P&D Bays to cars only.

49. We have identified the following impact:

- Possible impact on people with mobility issues who do not qualify for a Blue Badge.

50. We have identified the following mitigating actions:

- Range of parking location options and tariffs available across the City Centre. Potential to review.

51. **School Travel Service and Post-16 Travel Service Policy 2024-25**, We have identified the following impact:

- Southampton City Council will provide travel support for all children of compulsory school age who cannot be expected to walk to school or travel independently by reason of their Special Educational Need and/or Disability (SEND), to the nearest most appropriate school based on their needs, in line with the council's statutory duties.
- Travel support for post-16 students and adult learners (up to age 25 where they are continuing on a course started before their 19th birthday) with Special Educational Needs and/or Disabilities will be provided based on assessed need. Students and/or their parents/carers will not be required to contribute towards the cost of this service.
- Where a child lives within walking distance of the nearest qualifying school (or designated school if it is not the nearest) but the route to school relies on parent/carer with a disability accompanying that child for it to be considered safe, and the parent/carer's disability prevents them from doing so, the child will be eligible for school travel free of charge. This will be determined on a case-by-case basis, with medical evidence of the parent's disability requiring confirmation.

52. We have identified the following mitigating actions:

- No change to policy or provision

Poverty

53. **Adult Social Care Charging Policy.** The relative poverty of our customers has been assessed using the ONS Combined Index of Multiple Deprivation (IMD) 2019. The index indicates the level of deprivation in the local area someone lives in, based on multiple factors including income. This is the deprivation profile for Southampton residents overall – figures show the percentage of people living in the most deprived areas, then the slightly less deprived areas etc:

- Top 20% most deprived: 28%
- Next 20%: 35%
- Next 20%: 19%
- Next 20%: 14%
- 20% least deprived: 4%

54. The profile for adult social care customers is similar overall, except for people in residential care. This group has much lower numbers in the most deprived areas and

more people in the least deprived areas. Another ONS measure, the Income Deprivation Affecting Older People Index (IDAOPI) was also checked. The results for the Southampton population were:

- Top 20% most deprived: 26%
- Next 20%: 30%
- Next 20%: 20%
- Next 20%: 18%
- 20% least deprived: 6%

55. Again, the pattern for our customers was similar, with the same exception for people in care homes. This difference between the IMD and IDAOPI profiles suggests that older people are overall slightly less deprived than the population as a whole.

56. The amount we charge for care has a significant effect on people with low incomes. However, all the changes being proposed have been carefully considered to ensure that no one is required to pay more than they can afford. The government-set minimum income guarantee (for people living at home) and personal expenses allowance (for people in care homes) ensure that people are left with sufficient income to cover their reasonable day-to-day living costs.

57. We have identified the following mitigating action:

- Customers who consider that they are being charged more than they can afford, can:
 - Claim disability-related expenses, to reduce their charges.
 - Request an updated financial assessment, if their income/ assets/ expenses have changed.
 - Appeal the outcome of their financial assessment.
 - Request that charges are waived, in exceptional circumstances.

58. **Holcroft House** The impact on this characteristic is the risk of additional costs to families or residents on alternative accommodation.

59. We have identified the following mitigating actions:

- Through the assessment process, we will consider the transport costs and any other costs as part of the care and support plan to move.
- If families are unable to assist or cannot assist because of the person's needs, the council would look to meet the costs for transitioning across to new provision.
- Where an individual is self-funding their current placement at Holcroft House, the council will meet statutory duties.

60. **Implementing a standard parking charging period to On street and Off street car parks**, We have identified the following impacts:

- Increase in parking tariffs for general users, City Centre residents and nighttime economy workers.

61. We have identified the following mitigating actions:

- Parking tariff increases are moderate and are reflective of inflation. City Centre residents have access to discounted season tickets. Nighttime economy workers have access to Overnight Season Ticket.

62. **Removal of the off-peak classification from the Itchen Bridge toll**, the proposal is to remove the off peak classification from the Itchen Bridge for vehicles in classes 2 and above who are not eligible for concessions. This will impact all users, whether using a smart card or paying in cash, who are driving cars, small vans and small 4x4.

63. Southampton Residents that receive a concessionary toll through use of a Smart Card will still have access to the discounted toll, but there will no longer be an off peak

option. Southampton Residents who do not currently have a Smartcities card would need to apply for one in order to benefit from this discount.

64. The 2nd proposal is to increase the toll for Class 4 vehicles from £25 to £40 and the associated concession from £2 to £3.

65. We have identified the following impacts:

- This proposal may have a negative impact on users who need to travel to across the bridge to work or other reasons.

66. We have identified the following mitigating actions:

- Southampton Residents can access the concessionary toll via the Smart Cities card which still constitutes a significantly reduced rate.

67. **HRA – Rent Increase and Landlord Controlled Heating**, the proposals are

- Landlord Controlled Heating - During 2022/23 the Council's Landlord Controlled Heating Account was impacted by significantly increased energy costs. This resulted in a deficit of £3.6m. Charges were increased from April 2023, which has prevented the deficit from getting any worse, however a recovery plan is required to recover the deficit in a way that minimises impact on tenants. The proposal is to recover over a 5 year period, which will result in a n increase in charge of 6.5% in 2024/25, and an estimated 5% in 2025/6 and 2026/7, which will be subject to review when further energy cost forecasts are received. Taking no action is not sustainable financially.
- Rental increases - Rent Increase for the 2024/25 financial year. It is necessary to increase rents to ensure a balanced Housing Revenue Account in 2024/25, to be able to continue to maintain homes through repairs and to ensure the capital programme is robust and provide additional capacity to invest to support improving the council's decent homes programme, and to ensure the long term sustainability of the business plan over the next 40 years. The maximum allowable increase under government legislation is 7.7%.

68. We have identified the following impacts:

- All proposals will have an impact on poverty as there are proposed increases in rents. Tenants and leaseholders will have increased housing and service charge costs.
- In relation to heating charge increase those paying for the service will be impacted by an increase in charge.

Care Experienced

69. **HRA – Rent increase** we have identified the following impact

- There are 2 care leavers currently who are tenants who will be impacted by the rent increase but who will not be impacted by the service charge and rent increase proposals as they do not receive these services.

70. We have identified the following mitigating actions:

- If they are in receipt of benefits they will not be affected by the increase in rent. If they are not in receipt of benefits they can receive the additional support given from the Welfare Rights team within Housing.

Health and Wellbeing:

69. **Holcroft House** Residents' concerns and levels of anxiety could impact their emotional and physical wellbeing particularly just before and move or immediately afterwards. Relatives of residents may also have concerns relating to finding suitable alternate care and support which could impact their health and wellbeing.

70. We have identified the following mitigating actions:

- Needs assessments and reviews will take place for all residents prior to any changes taking place. Through this process information on alternatives will be made available.
- Individual transition plans will be produced and updated. This plan will include analysing the impact and where necessary other professionals and agencies will be called upon to support the individual to minimise any impact. Families/residents will be supported to review alternative placements and to under their particular needs, circumstances and preferences.

71. HRA – all proposals, we have identified the following impacts:

- In relation to health and wellbeing there may be an impact on households due to a reduction in income for households from the increase in rent and heating costs.

72. We have identified the following mitigating actions:

- Those on Universal Credit & Housing Benefit will not be affected by the increase in rent as these two benefits include rent costs.
- The Government have provided every household in the country with financial help towards their energy costs.

Other Significant Impacts

73. **Holcroft House** - Risk of reduced capacity within City for external Southampton residents requiring residential accommodation.

74. **Additional Council Tax premium for properties empty more than 12 months - legislation dependent and Introduce additional Council Tax premium for second homes - legislation dependent** - Increasing housing supply locally and bringing properties back into the currently short supply of local private rental sector has the potential to benefit a broad spectrum of groups who have protected characteristics. The proposals to introduce the council tax premiums for second homes and properties that have been empty for 12 months or more, could incentivise homeowners to release their properties onto the market, for either sale or rent. If offered for rent, this could help ease local housing pressures. The majority of the properties are in the lower council tax bands (A to C) so could help ease pressures in the private rented sector.

Other Protected Characteristics

75. We have identified no direct impacts for the following:

- Gender reassignment
- Marriage and Civil Partnership
- Pregnancy & Maternity
- Race
- Religion & Belief
- Sex
- Sexual orientation
- Community Safety

Public Consultation

76. A programme of public consultation was undertaken with residents, businesses and stakeholders to seek views on the new budget proposals. This took place from 23rd November 2023 to 17th January 2024.
77. Southampton City Council is in a challenging financial position, at a time when demand for certain services such as adult and children's social care continues to increase, and residents face the impact of significant rising costs to everyday living. Therefore, the aim of this consultation was to:
- Communicate clearly and make residents aware of the financial pressures the council is facing.
 - Ensure residents understand what is being proposed in the draft 2024/25 budget and are aware of what this will mean for them.
 - Enable any resident, business or stakeholder who wishes to comment on the proposals the opportunity to do so, allowing them to raise any impacts the proposals may have.
 - Ensure that the results are analysed in a meaningful, timely fashion, so that feedback is taken into account when final decisions are made.
 - Provide feedback on the results to the consultation and how these results have influenced the final decision.
78. Every effort has been made to ensure consultation is:
- Inclusive: so that everyone in the city has the opportunity to express their views.
 - Informative: so that people have adequate information about the proposals, what different options mean, and a balanced and fair explanation of the potential impacts, particularly the equality and safety impacts.
 - Understandable: by ensuring that the language we use to communicate is simple and clear and that efforts are made to reach all stakeholders, for example people who are non-English speakers or disabled people.
 - Appropriate: by targeting people who are more likely to be affected and using a more tailored approach to get their feedback, complemented by a general approach to all residents, staff, businesses and partners.
 - Meaningful: by ensuring decision makers have the full consultation feedback information so they can make informed decisions.
 - Reported: by letting consultees know what we have done with their feedback.
79. The consultation was based around an online questionnaire and paper copies will also be made available.
80. This Cumulative Impact Assessment has been updated and developed based on the final proposals and detail of individual ESIAs. It has also been informed by the feedback from residents and stakeholders as part of the public budget consultation.

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STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT

1. INTRODUCTION

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

2. GENERAL POSITION

- a. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a 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.
- b. There is a general requirement in administrative law that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. It should also be noted that the concept of proportionality, given great emphasis in the Human Rights Act 1998, is also becoming a relevant factor for determining the reasonableness of any decision and should be borne in mind by Members.
- c. An authority commits an illegal act if it acts beyond or in abuse of its statutory powers or in breach of its fiduciary duty. It will also act illegally if it fails to take relevant considerations into account or acts in outrageous defiance of reason.

3. OBLIGATION TO MAKE A COUNCIL TAX

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

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

4. DEFICIT BUDGETING

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

require regular monitoring throughout the financial year of such estimated savings or income. Prompt action to reduce spending must be taken, if at any stage it seems likely that a balance between income and expenditure will not be achieved.

5. BORROWING

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

6. OTHER RELEVANT LEGISLATION

- a. The Local Government Finance Act 1988 (the 1988 Act) created the (now repealed) Community Charge and the current National Non- Domestic Rating regime and deals with grants, funds, capital expenditure and the financial administration of a local authority.
- b. Under Section 114 (2) and 114 (3) of the 1988 Act, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the Council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
- c. Members have a duty to determine whether they agree with the Chief Financial Officer's statutory report issued under Section 25 Local Government Act 2003. If Members were to disagree, they would need to set out cogent reasons for so doing. Unless such reasons could be set forward, Members' action in disagreeing with the Chief Financial Officer's views on the basis of his/her professional judgement would be likely to be held unreasonable and constitute wilful misconduct. It should be noted that under the Members' Code of Conduct, Members are required to take account of any advice issued by Chief Financial Officer (and the Monitoring Officer) acting in their statutory capacities.

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

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

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

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

9. PERSONAL LIABILITY AND SURCHARGE

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

10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

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

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

- a) *The decision will generally be lawful provided that the permitted purpose is the true and dominant purpose behind the act. This is so even though some secondary or incidental advantage may be gained for some purpose, which is outside the authority's powers.*
- b) *The decision will be invalid if there are two purposes one ultra vires and one intra vires and the ultra vires purpose is a (even if not the) major purpose of the decision. Accordingly a decision substantially influenced by a wish to alter the composition of the electorate would be unlawful.*
- c) *Where there is some evidence justifying enquiry, the Court will consider whether an apparently lawful purpose e.g. home ownership is merely a colourable device to conceal an illegitimate purpose e.g. electoral advantage.*

d) Even if those voting for a particular policy at a Council meeting have perfectly proper reasons in mind, the policy can be tainted by the improper motives of others who have taken part in the formulation of that policy although not actually present to vote. As a matter of law it is possible for a corrupt principal to cause a result through an innocent agent.

11. OTHER LEGAL IMPLICATIONS

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

Summary of increases applied to discretionary fees and charges for 2024/25

Please refer to the Schedule of Fees and Charges in the Members Room for detailed information

Where fees have been increased by CPI as at September 2023 (6.7%) the charge has been rounded to the nearest £1 where appropriate

Service	Percentage increase	Details
Allotments	13.3%	Fees are updated from 1st November annually. This increase has been applied from 1st November 2023. Fees will be reviewed in-year for November 2024.
Bereavement Services	Minimum of 6.7% for most services	Most services have increased by 6.7%. This is higher where suppliers have increased their charges above this. There are a small number of services where there has been no increase or an increase below 6.7%. These will be reviewed in 2024/25.
Blue Badge	No change	This is a statutory fee and currently remains at £10.
Building Control	6.7%	An exception is the Building Notice Charge for 1 dwelling which has decreased.
Commercial Services - MOTs and Tree Work Services	No change	The charge for MOTs is set at the maximum level agreed nationally by the DVSA. Charges for tree work services are agreed on an individual basis.
Community Infrastructure Levy	7.3%	
Consumer Protection	6.7% for most services	There are a small number of services where there has been no increase or an increase below 6.7%. These will be reviewed in 2024/25.
Development Management	6.7%	The cap for major applications has also increased from £3,000 to £4,050.
Educational Psychologists	5.0%	
Environmental Health	6.7%	
Electric Vehicle Charging	6.7%	
HMO Licences	6.7%	
Golf Course	0.0%	The fees for 2024/25 are still to be confirmed
Historic Environment Records	6.7%	
Itchen Bridge	Change to the pricing structure	The off peak charges has now been removed and a flat rate is charged at all times. In addition to this, the charge for Class 4 HGVs has increased by around 60%
Legal Services	Minimum of 6.7%	
Libraries	Minimum of 3% for most charges	Some charges, including hire charges, remain the same.
Licensing	Minimum of 6.7%	
Local Land Charges	Minimum of 6.7%	
Museums	Minimum of 6.7%	
Music Services	6.7%	
Off Street Parking	Minimum of 6.7%	A new pricing structure was implemented from November 2023, including an extension of the chargeable period and an increase in the hourly rate.
On Street Parking	Minimum of 6.7%	A new pricing structure was implemented from November 2023, including an extension of the chargeable period and an increase in the hourly rate.
Parking Permits	16.7% for first and second permits for selected zones	
Pest Control	0.0%	The charges for 2024/25 are still to be confirmed
Planning Archaeology	6.7%	

Port Health	6.7%	
Registration Services - Micro Ceremonies	Between 13% and 39%	
Registration Services - all other services	Between 0% and 9.1%	An increase of around 10% was applied to most services in 2023/24 so the majority of charges remain unchanged. These will be reviewed again in 2024/25.
Room Hire	Between 11% and 20% for most charges	With the exception of the Learning Centre and out of hours meeting room hire which remain the same.
Section 106 monitoring charges	Between 11% and 25%	
Street Numbering and Naming	6.7%	
Telecare	Between 4% and 21.2%	
Valuation and Estates	No change	The charges for 2024/25 are still to be confirmed
Waste - Trade Waste	6.7%	
Waste - Commercial Waste	Between 7.5% and 10%	
Waste - Garden Waste - annual subscription	Between 14% and 16%	
Waste - Garden Waste - 1/2 year subscription	Between 66% and 91%	For subscriptions from 1st October 2024 to 31st March 2025
Waste - Bulky Waste	Between 13% and 20%	

Agenda Item 6

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	THE GENERAL FUND CAPITAL STRATEGY AND PROGRAMME 2023/24 TO 2028/29
DATE OF DECISION:	5 MARCH 2024 (CABINET) 6 MARCH 2024 (COUNCIL)
REPORT OF:	COUNCILLOR LETTS CABINET MEMBER FOR FINANCE AND CHANGE

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Corporate Services and S151 Officer	
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STATEMENT OF CONFIDENTIALITY
Appendix 9 is exempt from publication by virtue of category 3 of rule 10.4 of the Council's Access to Information Procedure Rules i.e. information relating to the financial or business affairs of any particular person. In applying the public interest test this information has been deemed exempt from the publication due to confidential sensitivity. It is not considered to be in the public interest to disclose this information as it would reveal information which would put the Council at a commercial disadvantage and prejudice the Council's ability to achieve best value
BRIEF SUMMARY
The purpose of this report is to set out for Council significant changes in the overall General Fund (GF) Capital Programme for the period of 2023/24 to 2028/29. This includes highlighting the changes in the programme since the last reported position to Cabinet in February 2024. The net result of the changes since the previous report is an increase to the General Fund programme of £29.12M.
The capital budget proposals put forward in this report reflect the anticipated needs of the Council over the next five years. This provides certainty about future funding and enables capital spending to be prioritised including to deliver purposeful investment alongside service and council priorities.
RECOMMENDATIONS:

CABINET		
Cabinet is recommended to:		
	i)	Recommend to Council the Capital Strategy, as detailed in Appendix 1.
	ii)	Recommend to Council the Minimum Revenue Provision (MRP) Strategy as detailed in Appendix 2.
	iii)	Recommend to Council the Non-Treasury Investment Strategy as detailed in Appendix 3.
	iv)	Recommend to Council the Treasury Management Strategy as detailed in Appendix 4.
	v)	Recommend to Council the Flexible Use of Capital Receipts Strategy as detailed in Appendix 5.
	vi)	Recommend to Council the revised fully funded General Fund Capital Programme, that totals £264.81M (as detailed in paragraphs 18 to 21) and the associated use of resources.
	vii)	Recommend to Council the addition of £31.09M to the General Fund programme, with approval to spend. These additions are detailed in paragraphs 24 to 48 and Appendix 7.
	viii)	Recommend to Council the removal of schemes from the capital programme totalling £2.18M, set out in paragraphs 40 and 48 and detailed in Appendix 7.
	ix)	Recommend to Council the approval to spend £39.66M for the SEND Expansion Programme, as set out in paragraph 32.
	x)	Recommend to Council the approval to spend £27.03M for the Outdoor Sports Centre, as set out in paragraph 37.
COUNCIL		
Council is recommended to:		
	i)	Approve the Council's Capital Strategy detailed in Appendix 1.
	ii)	Approve the Council's MRP Strategy detailed in Appendix 2 and delegate authority to the Executive Director for Corporate Services (S151 Officer) to make any changes required following the outcome of the consultation on changes to the statutory guidance and regulations: Minimum Revenue Provision.
	iii)	Approve the Council's Non-Treasury Investment Strategy detailed in Appendix 3.
	iv)	Approve the Council's Treasury Management Strategy detailed in Appendix 4.
	v)	Approve the Council's Flexible Use of Capital Receipts Strategy detailed in Appendix 5.
	vi)	Approve the revised fully funded General Fund Capital Programme, which totals £264.81M (as detailed in paragraphs 18 to 21) and the associated use of resources.

	vii)	Approve addition and spend of £31.09M which has been added to the General Fund programme. These additions are detailed in paragraphs 24 to 48 and Appendix 7.
	viii)	Approve the removal of schemes from the capital programme totalling £2.18M, set out in paragraphs 40 and 48 and detailed in Appendix 7.
	ix)	Approve the spend of £39.66M for the SEND Expansion Programme, as set out in paragraph 32.
	x)	Approve the spend of £27.03M for the Outdoor Sports Centre, as set out in paragraph 37.
	xi)	Approve the delegated authority to the Executive Director for Place following consultation with the Cabinet Member for Communities and Leisure, Executive Director for Corporate Services (S151 Officer), Head of Supplier Management Services and Head of Corporate Estate and Assets to conclude all necessary negotiations on the Football Foundation Grant Terms and Conditions.
	xii)	Approval to delegate authority to the Head of Corporate Estate and Assets to conduct actions necessary to enable decisions required and enter contracts for the delivery of the Outdoor Sports Centre project.

REASONS FOR REPORT RECOMMENDATIONS

1.	The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to Full Council. The recommendations contained in this report set out the various elements of the budget that need to be considered by Cabinet and recommended to Full Council for approval.
2.	The Prudential Code for Capital Finance in Local Authorities requires authorities to produce a capital strategy, which Full Council must also approve.
3.	The Council's Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. Programme updates are reported to Cabinet and Council for approval. This is to enable new schemes in the programme to proceed and to approve additions and changes to the programme. Major capital projects are delivered over several years so by setting a clear five-year programme, works are scheduled over their estimated delivery period and can be funded accordingly.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	No alternative options, given the requirements outlined in paragraphs 1 and 2.
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DETAIL (Including consultation conducted)

5.	CAPITAL STRATEGY
6.	The Council needs to have a fit for purpose Capital Strategy to ensure that all the Council's priorities are considered in the allocation of resources to the capital programme. Appendix 1 details the Capital Strategy 2024/25. The capital strategy provides an overview of how capital expenditure, capital financing and treasury management each contribute to the provision of local public services. It sets out how associated risk is managed, the implications for future financial sustainability and criteria for Purposeful Investment, which is applied to all capital programme items. This is to ensure investment is focused

	<p>on delivering the optimum value for money for the council and its benefits are fully considered against current financial challenges.</p> <p>The Purposeful investment criteria is as follows:</p> <ol style="list-style-type: none"> 1. Does it reduce revenue expenditure/increase income in the current year or future years? 2. Does it stop a potential financial pressure in future years? 3. Does it have a significant impact on the lives of residents? Considering affordability, given the current financial challenges and limitations. <p>Taking account of the following considerations:</p> <ol style="list-style-type: none"> a) Solid Return on Investment (e.g. generating significant external funding/investment or inward returns from the investment to the council) b) Is it a major element necessary for the achievement of the Corporate Plan? c) A key commitment of the Administration
7.	<p>The Prudential Code for Capital Finance in Local Authorities requires authorities to produce a capital strategy. The guidance outlines the key factors which they recommend be included, as follows:</p> <ul style="list-style-type: none"> • The strategy should be formally approved by Council, • The strategy clearly sets out the forthcoming capital expenditure of the Council, • There should be a clear link to the treasury management strategy, therefore including prudential indicators, • There should be a focus on commercial activity and associated risks, • The long-term impact and liabilities of decisions being undertaken should be included and • The knowledge and skills of responsible officers should be articulated.
8.	<p>Prudential Indicators are to show that capital investment planning and the council's borrowing decisions are prudent and sustainable.</p> <p>The prudential indicators have been set for the forthcoming period and comprise of three main components, as follows:</p> <ul style="list-style-type: none"> • <u>Capital Expenditure</u> – Estimates of Capital Expenditure and Capital Financing, Current and Estimated Movement in the Capital Financing Requirement i.e. the Authority's underlying need to borrow, • <u>External Debt</u> – Current and Estimated Movement in Gross Debt. Authorised limits for Borrowing set by the Authority and the Operational Boundary for Total External Debt (excluding investments) and separate identification for borrowing against debt and other long-term liabilities. Other indicators outline the estimated movement in borrowing requirement and loans over the forthcoming five-year period, and • <u>Affordability</u> – the Ratio of Financing Costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs.
9.	<p>In setting the indicators, the Authority will also consider Minimum Revenue Provision (MRP). This is to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. The Council's MRP policy is shown in Appendix 2 and requires approval as part of this report.</p>

10.	<p>In preparing the capital strategy, the Authority has also considered the Treasury Management Strategy 2024/25, (Appendix 4) to be approved as part of this report.. The strategy considers the impact of the Council’s proposed revenue budget and capital programme on the balance sheet position, the treasury prudential indicators and the current and projected treasury position. It includes the economic background and outlook for interest rates (Annex 4.2)</p> <p>The strategy highlights an increasing CFR due to the impact of the capital programme and a decreasing working balance surplus and will therefore need to borrow up to £243.7M over the next five years.</p>
11.	<p>The Council’s Non-Treasury Investment Strategy meets the requirements of statutory guidance issued by the government in January 2018.</p> <p>The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.”</p> <p>The Non-Treasury Investment Strategy 2024/25 set out in Appendix 3 and requires approval as part of this report.</p>
12.	<p><u>FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY</u></p>
13.	<p>Appendix 5 details the flexible use of capital receipts strategy for approval. The Secretary of State issued a Direction in March 2016, giving local authorities greater flexibilities to use capital receipts to finance revenue expenditure. This has now been extended until 2024/25. This allows local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. To use the Direction, the Council must maintain a Flexible Use of Capital Receipts Strategy and include this as part of the annual budget setting report.</p>
14.	<p>The Council is establishing a comprehensive Transformation Programme as part of its plans to address the structural budget deficit. An element of this funding may be from Capital Receipts Flexibility.</p>
15.	<p>The Asset Development & Disposal Programme (ADDP) was initiated in 2023/24 with the vision to drive Southampton’s growth through the retention, development, or disposal of SCC’s corporate, operational and investment portfolio. It is a capital transformation programme, with capital receipts secured from the disposal of assets funding future transformation activity across the council, including ADDP resources.</p> <p>Along with the securing of capital receipts, ADDP is seeking to achieve wider financial benefits through development and disposal activity. This includes achieving additional council tax revenue and business rates, as well as other revenue savings through reductions in utilities and maintenance costs.</p> <p>One of the early activities within the ADDP is reviewing investment and operational assets to assess whether they should be retained, disposed, or redeveloped in the future.</p> <p>The ADDP is seeking to generate capital receipts over a number of years. These receipts will meet the costs of the transformation programme through flexible use of capital receipts and, if there is sufficient available, consideration will be giving to using receipts to fund the capitalisation direction instead of borrowing.</p>

16.	<u>THE FORWARD GENERAL FUND CAPITAL PROGRAMME</u>																																
17.	The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next five years with investment to deliver the aims within the agreed Corporate Plan. The capital programme is kept under regular review, both in terms of future affordability and delivery.																																
18.	The proposed changes to the General Fund capital programme from the last reported monitoring position to Cabinet in February 2024 have increased the programme by £29.12M. There has been a comprehensive capital review undertaken, considering the financial pressures the council faces. Economic factors are taking their toll on the delivery of the capital programme, such as rising inflation increasing the cost of construction and interest rate rises making it sustainable to continue the small levels of borrowing to fund the programme. It is still important for the Council to continue making purposeful investment to ensure a sustainable future.																																
19.	Table 1 shows a comparison of the latest capital expenditure for the period 2023/24 to 2028/29 compared to the previously reported programme.																																
20.	<p><u>Table 1 – Programme Comparison</u></p> <table border="1"> <thead> <tr> <th>Reported Programme</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> <th>2028/29 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>78.93</td> <td>98.24</td> <td>44.30</td> <td>35.93</td> <td>6.41</td> <td>1.00</td> <td>264.81</td> </tr> <tr> <td>Previous</td> <td>86.40</td> <td>86.11</td> <td>32.66</td> <td>28.82</td> <td>1.71</td> <td>0.00</td> <td>235.69</td> </tr> <tr> <td>Variance</td> <td>(7.47)</td> <td>12.14</td> <td>11.64</td> <td>7.11</td> <td>4.70</td> <td>1.00</td> <td>29.12</td> </tr> </tbody> </table> <p style="text-align: right;"><i>NB: Table include rounded figures</i></p>	Reported Programme	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M	Total £M	Latest	78.93	98.24	44.30	35.93	6.41	1.00	264.81	Previous	86.40	86.11	32.66	28.82	1.71	0.00	235.69	Variance	(7.47)	12.14	11.64	7.11	4.70	1.00	29.12
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21.	Table 2 below details the General Fund Capital Programme by directorate and shows the increase of £29.12M to a total of £264.81M.																																
22.	Appendix 7 summarises the new schemes and changes to existing schemes by individual directorate programmes.																																
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24.	<p><u>Table 2 – Changes in Directorate Programmes</u></p> <table border="1"> <thead> <tr> <th></th> <th>Latest Programme £M</th> <th>Previous Programme £M</th> <th>Total Net Change £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>65.12</td> <td>60.72</td> <td>4.40</td> </tr> <tr> <td>Corporate Services</td> <td>16.49</td> <td>4.15</td> <td>12.35</td> </tr> <tr> <td>Place</td> <td>168.86</td> <td>158.64</td> <td>4.22</td> </tr> <tr> <td>Strategy & Performance</td> <td>9.59</td> <td>3.59</td> <td>6.00</td> </tr> <tr> <td>Wellbeing & Housing</td> <td>10.75</td> <td>8.60</td> <td>2.15</td> </tr> <tr> <td>Total GF Capital Programme</td> <td>264.81</td> <td>235.69</td> <td>29.12</td> </tr> </tbody> </table> <p><i>NB: Table include rounded figures</i></p>		Latest Programme £M	Previous Programme £M	Total Net Change £M	Children & Learning	65.12	60.72	4.40	Corporate Services	16.49	4.15	12.35	Place	168.86	158.64	4.22	Strategy & Performance	9.59	3.59	6.00	Wellbeing & Housing	10.75	8.60	2.15	Total GF Capital Programme	264.81	235.69	29.12				
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25.	The total net change to the programme is £29.12M. New additions total £31.30M, of which £0.21M was approved under delegated powers and are offset by reductions to the programme of £2.18M. Details of the major projects are set out below.																																

26.	MAJOR PROGRAMME CHANGES
27.	<u>Children & Learning – £4.40M Increase plus approval to spend existing budget of £39.66M for the SEND Programme</u>
28.	An extensive prioritisation exercise has been undertaken of the full Children & Learning capital programme. Several projects have seen significant construction cost increases since setting the original budgets, making it unaffordable to proceed as originally intended. Therefore, the review has led to a significant re-phasing of projects, particularly within Schools Condition Works.
29.	<u>St George Catholic College (£1.00M addition)</u> Works required as part of the secondary expansion programme had been put on hold due to increasing construction costs and funding pressures. An additional £1M of funding is now available and works will now be completed within a budget of £3.02M. This will be fully funded by Government grant.
30.	<u>Early Years & Childcare Capital Expansion Programme (£0.41M addition)</u> The childcare expansion capital grant funding has been provided to local authorities to support the provision of new places to support the expansion of 30-hours entitlement places for children aged 9-months to 3-year-olds. Work has already started in 2023/24 and further plans are being developed to ensure that places are supported where there is a need across the city. The project will be fully funded by Government Grant, £0.20M in 2024/25, £0.15M in 2025/26 and £0.06M in 2026/27.
31.	<u>Condition Works (£2.98M addition)</u> As part of the routine condition surveys performed on the education property portfolio several projects have been identified as requiring progression in 2024/25. The works relate to roofing and pipework and detailed in Appendix 7. £0.56M will be added to the programme for contingency to allow for emergency projects that may occur in year. This allows project managers to take swift action to deal with any health and safety concerns without the need to wait for budget approval. This will be fully funded by Government grant.
32.	<u>SEND Expansion Programme (no addition – approval to spend existing budget £39.66M)</u> Work is progressing to complete RIBA stage 2 (concept design) and is scheduled to complete in Spring 2024. The programme was set out in the report presented to Cabinet in March 2023, and will consist of three projects as described below. <u>Green Lane</u> Refurbishment and re-purposing / use of additional areas in the existing buildings on the site to support the already increased pupil numbers. There is an urgent need to make this space fit for purpose and to ensure delivery for September 2024, it is recommended that a grant of £1M is given to Great Oaks School in 2024/25, who will manage and deliver the project. This will allow the school great power over the phasing to ensure that the school can continue to operate safely over the summer term.

St Monica's Infant School Site

Refurbishment and new transport loop are proposed to accommodate Vermont School and will create 20 new school places.

Vermont Close

This will involve the demolition of the existing school with the development of new buildings. The phasing will be dependent on the Vermont School move to the St Monica site and how the risks and constraints are dealt with in managing a construction site within a school environment that would need to operate business / teaching as usual activities for the duration of the construction works. This will provide 150 new school places.

Early high-level estimates suggest that the budget split will be as shown in the table below. Once RIBA stage 4 is complete, the budgets will be updated.

Table 3 SEND Programme Capital Budget Phasing

Project	Additional Places	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M
Green Lane	-	1.00	0.00	0.00	0.00	1.00
St Monica Site	20	1.00	4.00	6.00	0.00	11.00
Vermont Close Site	150	2.71	4.78	19.82	0.71	28.02
Total	170*	4.71	8.78	25.82	0.71	40.02

*Overall programme to provide 252, 82 already provided at Great Oaks

A total of 252 additional SEND places will be provided across the city over the entire programme and will reduce the number of pupils having to travel out of the city, avoiding high-cost placements and transport costs. The additional places already provided have saved nearly £6M in placement costs, based on the average out of city placement cost and the further 170 places are expected to avoid further school costs of £12.18M.

Table 4 Annual Cost - Expansion vs No Expansion

School	Places	In city (Expansion) £M	Out of city (No Expansion) £M	Difference Cost Saving £M
Great Oaks	150	3.08	13.93	10.85
Vermont	20	0.53	1.86	1.33
Total	170	3.60	15.78	12.18

The measures to reduce the costs will primarily affect the ring-fenced Schools Budget and help to manage the Dedicated Schools Grant (DSG) deficit. The DSG deficit is subject to a statutory override which means that the deficit does not impact on the wider council services or council taxpayers. The statutory override is in place until March 2026, having recently been extended by 3 years. So, at present this cost reduction does not impact the GF revenue position but the deficit could transfer to the GF balance from April 2026.

There is a General Fund revenue cost of borrowing to fund £30.7M of the

	<p>programme, which is £2M per annum and is built into the Medium-Term Financial Strategy. If any future capital grants become available for schools and education (including underspend on current projects), over and above the Schools Condition programme, this will be applied to the programme and reduce the need to borrow.</p> <p>Approval to spend is sought for the full budget of £39.66M. £0.36M in 2024/25 already has approval to spend to fund the ongoing RIBA stage 2 (concept design) works. This additional approval will allow the programme to proceed with developed and technical design, which will complete by the end 2024. At this time there will be a gateway review and consideration of the final phasing by Council Capital Board, with a view to start construction in 2025/26 and ensuring the project is financially on track.</p>
33.	<u>Corporate Services - £12.35M Increase</u>
34.	<p><u>Client Case Management System (£5.00M addition)</u></p> <p>The council has been notified that the current provider has taken the decision to withdraw from the market in 2025. Therefore, it will be necessary to start procurement for a new system in 2024/25 to ensure it will be operational by the time support for the current software ceases. Based on previous experience, budget is anticipated to be £5.00M (£2.00M in 2024/25, £1.50M 2025/26 and 2026/27). This will be funded by council resources.</p>
35.	<p><u>IT Investment (£7.14M addition)</u></p> <p>Work is ongoing to produce an updated Digital Strategy, which may result in changes to this budget, but high-level indications show that the need is £8.50M over the next 4 years. The previous strategy was only until 2024/25 and had a budget of £1.36M, requiring an addition of £7.14M.</p> <p>This will support work on core hardware elements (network / security, equipment refresh), system rationalisation and transformation. This will be funded by council resources and phases £1.50M in 2024/25, £3.50M in 2025/26 £2.00M in 2026/24 and £1.50M in 2026/27.</p> <p>Invest in IT is essential to ensure the council continues to provide an effective service to residents and offer digital solutions to enhance their experience, as well as being a key enabler to support budget savings and service improvements across the authority.</p> <p>The deliverables of the current IT Strategy consist of five themes:</p> <ul style="list-style-type: none"> i) IT Capability and Infrastructure. Continuing to build strong foundations for our IT enabled services and ensuring the move to a modern, cloud infrastructure continues. ii) IT Tools and services. Ensuring that staff and councillors have the right tools for the job. iii) Smarter working. Helping the workforce have the right skills to make the most of the technology available. iv) A Culture of Innovation. Investigating and embracing modern technologies and how these can be used to meet the aims of the council whilst driving innovation and creativity in designing new digital services. v) Catalyst for city-wide growth. Ensuring that partnerships are explored, expanded, and identifying any potential commercial

	<p>opportunities.</p> <p>Spend will be agreed following a robust business case process that demonstrates value for money.</p>										
36.	<u>Place - £2.22M Increase</u>										
37.	<p><u>Outdoor Sport Centre (£0.06M addition)</u></p> <p>On the 6th of February 2024, Cabinet approved the update design proposals and current budget position at the end of RIBA Stage 3 design. This approval has allowed the project to progress with RIBA Stage 4 design as part of the Pre-Construction Service Agreement (PCSA).</p> <p>The scheme's programme has been affected by the Levelling Up Fund (LUF) announcement delay and subsequent detailed enquiries required by Department of Levelling Up, Housing and Communities (DLUHC) and confirmation of the successful application to enable the project to progress with Contractor engagement. In addition, the VE process has taken time to develop the design, engage with key stakeholders, price, and agree the design approvals process. there is a need to move forward with a programme at pace and DHULC awarded each authority in receipt of a levelling up grant and additional grant to accelerate delivery, for Southampton this was £60,000 in 2023/24. This addition to the budget will support the extra costs of the VE process.</p> <p>Approval to spend had previously been given to progress through the PCSA, whilst awaiting confirmation of external funding and finalising the full business case. Therefore, approval is sought for the spend of £27.03M (£12.70M in 2024/25 and £14.33M 2025/26) to progress the project to completion. The programme budget is currently phased, as per the table below, but will be subject to change once the final programme phasing has been agreed with the contractor. This will be reported as part of the in-year capital monitoring report.</p> <p>Table 5</p> <table border="1"> <thead> <tr> <th>2022/23 Actual £M</th> <th>2023/24 Budget £M</th> <th>2024/25 Budget £M</th> <th>2025/26 Budget £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>0.94</td> <td>1.15</td> <td>13.73</td> <td>14.33</td> <td>30.15</td> </tr> </tbody> </table>	2022/23 Actual £M	2023/24 Budget £M	2024/25 Budget £M	2025/26 Budget £M	Total £M	0.94	1.15	13.73	14.33	30.15
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38.	<p><u>Highways Budgets (£0.76M net reduction)</u></p> <p>Following a review of the programme there has been a budget alignment as detailed in the table below, as the previous budgets were allocated 2 years ago and were high-level estimates.</p> <p>In 2024/25 there has been a £5.88M reduction in borrowing to support the highways programme, to enable an on-going revenue saving of £0.48M. This has been offset by an addition contribution from the On-Street parking reserve and grant funding. Previously there was no budget in 2025/26, but to ensure that projects can be planned for in advance, there has been an</p>										

	<p>addition of £1.00M contribution from the on-street parking reserve and £2.40M of government grant. The final programme is detailed in Appendix 7.</p> <table border="1"> <thead> <tr> <th>Project</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Carriageways</td> <td>(3.25)</td> <td>2.25</td> <td>(1.01)</td> </tr> <tr> <td>Essential Highways Minor Works</td> <td>0.01</td> <td>0.10</td> <td>0.11</td> </tr> <tr> <td>Footways</td> <td>(0.96)</td> <td>0.45</td> <td>(0.51)</td> </tr> <tr> <td>Highways Drainage Investigations</td> <td>0.35</td> <td>0.30</td> <td>0.65</td> </tr> <tr> <td>Road Restraint Systems</td> <td>(0.15)</td> <td>0.15</td> <td>0.00</td> </tr> <tr> <td>Structures</td> <td>(0.15)</td> <td>0.15</td> <td>0.00</td> </tr> <tr> <td>Total</td> <td>(4.15)</td> <td>3.40</td> <td>(0.76)</td> </tr> </tbody> </table>	Project	2024/25 £M	2025/26 £M	Total £M	Carriageways	(3.25)	2.25	(1.01)	Essential Highways Minor Works	0.01	0.10	0.11	Footways	(0.96)	0.45	(0.51)	Highways Drainage Investigations	0.35	0.30	0.65	Road Restraint Systems	(0.15)	0.15	0.00	Structures	(0.15)	0.15	0.00	Total	(4.15)	3.40	(0.76)
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39.	<p><u>Northam Rail Bridge (£2.92M addition)</u></p> <p>The council has been developing a scheme to replace and enhance the existing ageing single lane A3024 Northam Rail Bridge in Southampton for several years, which has been reliant of government funding from the Major Road Network programme, due to the size and nature of the project. In January 2024 DfT awarded funding to support the development of the Outline Business Case. The spend will be phased £0.10M in 2023/24, £2.32M in 2024/25 and £0.50M in 2025/26 and will be funded by government grant.</p>																																
40.	<p><u>Play Areas (net nil movement)</u></p> <p>It is proposed to move the budget from the S106 Youth Provision project to increase the budget at Weston Shore. There were no plans for this project, only that it needed to be for youth provision in the vicinity of the Centenary Quay development. Currently no other play areas within this area need upgrading. Consultation and design are currently underway for the Weston Shore play area and this additional budget will enable a destination play area.</p>																																
41.	<p><u>St Mary's Leisure Centre (£2.00M addition)</u></p> <p>The Council needs to urgently resolve the future use of St Mary's leisure centre. Such future use needs to have regard to strategies currently being developed around transformation, use of assets, and multi-agency preventative services. Emerging consideration points towards the continued use of the building as an important part of these inter-related agendas. To enable this to be progressed it is recommended that provision is made in the capital budget to secure the on-going use of the building whilst future occupancy and viability is determined.</p> <p>This investment is subject to a viable business case demonstrating value for money, being presented to Council Capital Board. This will be funded by council resources; the revenue impact has been included into the MTFS update.</p>																																
42.	<p><u>Strategy & Performance - £6.00M Increase</u></p>																																
43.	<p><u>Transformation Programme (£6.00M addition)</u></p> <p>The Council is establishing a comprehensive Transformation Programme as part of its plans to address the structural budget deficit. The scope of the programme is currently in development but is likely to include service review</p>																																

	<p>and re-design, new service operating models, technology enabled change and efficiency, asset rationalisation (ADDP), procurement and third party spend, income generation and partnership working (including with health and the voluntary sector).</p> <p>This will be funded in part by capital receipts and forms the basis of the Flexible Use of Capital Receipts Strategy (Appendix 5). The capitalisation direction allows for up to £10.62M of transformation costs, as and when additional budget is required this will be added to the programme.</p>
44.	<u>Wellbeing & Housing - £2.15M Increase</u>
45.	<p><u>Affordable Homes (£0.79M addition)</u></p> <p>This addition is for the S106 contributions which have collected over the last 2 years for the specific purpose of providing affordable homes. Throughout 2023/24 significant work was undertaken on the Affordable Housing Framework and this addition will increase the budget to £1.92M to support future provision in the City. This is fully funded by S106 Contributions.</p>
46.	<p><u>Warm Homes (£1.65M addition)</u></p> <p>The Southampton Healthy Homes project is an affordable warmth service providing fuel poverty and energy efficiency advice for the residents of Southampton. The primary aim is to reduce the number of households in the city from being in or at risk of fuel poverty and to work to support the cities ambitions to reduce the carbon footprint of Southampton by helping and facilitating the move to greener energy usage in the city's private residential homes. The project is currently being run by the Environment Centre, a local charity in partnership with Southampton City Council. The project has been running for over 10 years and the proposed project is extend for a further 3 years; £0.55M per annum. This will be funded by a contribution from the Better Care Fund, S106 contributions for Carbon Management and capital receipts.</p>
47.	<p><u>Telecare Equipment (£0.28M addition)</u></p> <p>The telecare service is an established service, delivering cost effective support to residents of the city. Not only is it proven to be a cost-effective way to deliver care to people with needs. It is also a valuable tool in supporting independence and preventing escalation of need, which improves people's quality of life and saves significant sums of money in cost avoidance of care packages. The UK's telecommunications providers are currently transitioning their telephone services from analogue to digital networks, and this will require updated equipment to ensure compatibility and services to continue and expand in the future. The budget required is £0.16M in 2024/25 and £0.12M in 2025/26 to be funded by Council resources.</p>
48.	<p><u>Holcroft House (£0.57M reduction)</u></p> <p>Following the decision to relocate residents from Holcroft House in September 2023, in part due to the significant fire safety works that were required on the aging building, this budget is not longer required to continue works. This project was funded by council resources.</p>
49.	<p>As part of the appraisal process, all projects are assessed to ensure that they meet the objectives of the Council. Table 3 summarises the items of major spend by programme.</p>

50.

Table 3 – Capital Spend by Programme

Programme	Major Project	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	2028/ 2029 £M
Children & Learning	Early Years Expansion	0.25	0.47	0.15	0.06	0.00	0.00
	School Capital Maintenance	2.72	6.78	0.31	0.34	0.00	0.00
	Secondary Review & Expansion	2.83	3.17	0.00	0.00	0.00	0.00
	SEND Review & Expansion	3.17	4.77	8.78	25.82	0.71	0.00
	Childrens Services - Residential/Assessment Unit	0.91	3.28	0.60	0.00	0.00	0.00
Corporate Services	Digital & IT	2.89	3.60	5.00	3.50	1.50	0.00
Place	Bridges Programme	1.53	4.35	0.15	0.00	0.00	0.00
	Highways Programme	11.98	4.72	3.25	0.00	0.00	0.00
	Integrated Transport	8.23	7.38	0.70	0.00	0.00	0.00
	Transforming Cities	21.52	14.36	0.00	0.00	0.00	0.00
	Future Transport Zone	5.36	7.13	0.44	0.00	0.00	0.00
	Outdoor Leisure	1.15	15.73	14.33	0.00	0.00	0.00
	Corporate Assets Decarbonisation Scheme (CADS)	1.48	2.54	0.71	0.00	0.00	0.00
	Materials Recycling Facility	0.00	0.00	3.45	0.00	0.00	0.00
	Fleet Investment	3.28	0.60	1.00	1.00	0.00	0.00
	Arts & Heritage	2.44	6.47	0.89	0.15	0.00	0.00
	River Itchen Flood Alleviation Scheme (RIFAS)	0.00	0.00	0.50	4.50	4.20	1.00
	Parks Development Works	1.80	1.42	0.00	0.00	0.00	0.00
	Play Area Improvements	0.03	0.70	0.35	0.00	0.00	0.00
	Coastal Erosion Measures	0.25	0.15	0.00	0.00	0.00	0.00
	Corporate Council Buildings	0.48	0.00	0.00	0.00	0.00	0.00
	Property Portfolio Enhancements	0.46	0.00	0.00	0.00	0.00	0.00
	Other	0.26	0.09	0.35	0.00	0.00	0.00
Strategy & Performance	Transformation Programme	2.68	6.90	0.00	0.00	0.00	0.00
Wellbeing & Housing	Disabled Facilities Grants	0.45	0.55	0.55	0.55	0.00	0.00
	Adult Social Care Projects	0.21	0.16	0.12	0.00	0.00	0.00
	Community Safety	1.60	1.80	1.89	0.00	0.00	0.00
	Estate Improvements	0.96	1.12	0.79	0.00	0.00	0.00
	TOTAL	78.93	98.24	44.30	35.93	6.41	1.00

NB: Table includes rounded numbers

51.	CAPITAL RESOURCES																								
52.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Council Resources – Borrowing, • Council Resources - Capital Receipts from the sale of HRA assets, • Council Resources - Capital Receipts from the sale of General Fund assets, • Contributions from third parties, • Central Government Grants and from other bodies, and • Direct Revenue Financing. 																								
53.	<p>It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. Most of these grants relate to funding for schools and transport and are non-ring fenced. However, in 2023/24 and 2024/25 those grants have been passported to these areas. These assumptions will be monitored closely, and any updates reported as part on the monthly monitoring process; should any grants not materialise then the projects affected will need to be reconsidered.</p>																								
54.	<p>The forecast for borrowing costs in 2023/24 is £20.20M, of which £6.15M relates to the HRA. This is expected to rise to £33.05M (£10.49M HRA) by 2027/28 to accommodate the capital programme, utilisation of reserves and refinancing of borrowing. More information can be found at section 2.4.10 of the Capital Strategy. The proportion of the revenue budget allocated to capital financing will increase from 9.09% for 2023/24 to 9.32% for 2027/28.</p> <p>The increase relates to investment in the HRA; the GF reduces from 9.50% for 2023/24 to 8.74% for 2027/28, reflecting the reductions to the programme taken in the July and November 2023 MTFS updates.</p>																								
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56.	<p>Table 4 – Available Capital Funding</p> <table border="1"> <thead> <tr> <th>Resource</th> <th>Balance B/Fwd. £M</th> <th>Received to Date 2023/24 £M</th> <th>Allocated to Current Programme £M</th> <th>Available Funding £M</th> <th>Anticipated Receipts 2023/24 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td>(3.12)</td> <td>(0.25)</td> <td>10.77</td> <td>0.00</td> <td>12.75</td> </tr> <tr> <td>CIL</td> <td>(6.11)</td> <td>(0.73)</td> <td>10.26</td> <td>0.00</td> <td>(0.27)</td> </tr> <tr> <td>S106</td> <td>(8.56)</td> <td>(0.44)</td> <td>7.77*</td> <td>(1.23)</td> <td>(0.04)</td> </tr> </tbody> </table> <p>*Includes allocation for revenue purposes (mainly TRO's)</p>	Resource	Balance B/Fwd. £M	Received to Date 2023/24 £M	Allocated to Current Programme £M	Available Funding £M	Anticipated Receipts 2023/24 £M	Capital Receipts	(3.12)	(0.25)	10.77	0.00	12.75	CIL	(6.11)	(0.73)	10.26	0.00	(0.27)	S106	(8.56)	(0.44)	7.77*	(1.23)	(0.04)
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57.	Table 4 shows that the largest resource is Community Infrastructure Levy (CIL) funding. There is currently more allocated to the programme than receipts to date, but this is based on prudent assumptions about future developments within the city and therefore CIL receipts.																								
58.	<p>Capital receipts are currently being used to fund transformation projects which are being capitalised as per the Council's Flexible Use of Capital Receipts Strategy, which is include for approval as part of this report in appendix 5. Under the guidance, <i>'expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public</i></p>																								

	<i>sector delivery partners</i> ’ may be funded by capital receipts.																																																																																																								
59.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been £87.79M movement since the last reported position due to the formation of the ADDP Programme. The value of future receipts will be updated as the programme progresses and there is confirmation of which assets will be disposed of and currently consists of a very high-level estimate of what could be achieved. Appendix 9 (confidential) details properties which are being considered for disposal.																																																																																																								
60.	<p>Table 5 – General Fund Capital Receipts Estimates</p> <table border="1"> <thead> <tr> <th>Forecast</th> <th>B/Fwd. £M</th> <th>2023/ 2024 £M</th> <th>2024/ 2025 £M</th> <th>2025/ 2026 £M</th> <th>2026/ 2027 £M</th> <th>2027/ 2028 £M</th> <th>2028/ 2029 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>(3.12)</td> <td>(12.79)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(15.35)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(91.24)</td> </tr> <tr> <td>Previous</td> <td>(3.12)</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>(0.35)</td> <td>0.00</td> <td>0.00</td> <td>(3.47)</td> </tr> <tr> <td>0.00</td> <td>0.00</td> <td>(12.79)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(15.00)</td> <td>(87.79)</td> </tr> </tbody> </table>	Forecast	B/Fwd. £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	2028/ 2029 £M	Total £M	Latest	(3.12)	(12.79)	(15.00)	(15.00)	(15.35)	(15.00)	(15.00)	(91.24)	Previous	(3.12)	0.00	0.00	0.00	(0.35)	0.00	0.00	(3.47)	0.00	0.00	(12.79)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(87.79)																																																																				
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64.	Table 7 demonstrates that the most significant amount of funding for the																																																																																																								

	<p>general fund programme is provided by grants, as noted above predominately relating to schools and transport/highways. Council resources is the next main source of funding, which at present, will be through borrowing. Borrowing costs are in the main met within a central provision, which is detailed within the revenue budget.</p>
65.	<p>Every effort will be made to explore external funding opportunities to reduce the need for borrowing. On average every £1M borrowed will incur revenue financing charges (interest and MRP) of £0.08M. Should grants or contributions be made available to the Council in the future, these will be reported as part of the routine financial monitoring process.</p>
66.	<p><u>Exceptional Financial Support (EFS)</u></p>
67.	<p>An application has been made to Government seeking Exceptional Financial Support (EFS) to help balance the budget for 2024/25 and provide for other costs and potential liabilities. The Government has now confirmed that it is minded to support the council by providing an EFS facility. A Ministerial Statement on 29 February has confirmed the this for Southampton City Council, and for several other local authorities.</p>
68.	<p>The government has previously agreed to provide a small number of local authorities with support via the Exceptional Financial Support framework, following requests from these councils for assistance to manage financial pressures that they considered unmanageable and was likely to mean the requirement to agree a balanced budget could not be achieved. The support is provided on an exceptional basis, and often requires that each local authority be subject to an external assurance review on their financial position.</p>
69.	<p>The EFS is in the form of a 'Capitalisation Direction'. Capitalisation is how the government permits local authorities to treat revenue costs as capital expenditure. It is a relaxation of the rules that require revenue costs to be met from revenue resources only and that councils should not "borrow" to fund revenue expenditure. Obviously, a local authority does not have to borrow to fund the capitalised expenditure as it can legitimately use capital receipts to do so.</p> <p>EFS is only available in 2024/25 to give the council time to develop further savings and transformation plans to reduce the structural budget deficits in future years.</p>
70.	<p>The EFS is that the council can use up to £121.58M of capital resources to fund revenue expenditure and other potential liabilities. The Council is not obliged to use the full value of the EFS, and this should be seen as a facility to use rather than permission to spend. EFS is not additional funding, and it must be repaid either through capital receipts or borrowing. The use of the EFS facility should therefore be kept to the minimum necessary.</p> <p>If the capitalisation direction is utilised, then a budget will be added to the capital programme in due course.</p>
71.	<p>Any use of EFS will require the generation of capital receipts to create the necessary funding or will need to be funded by new borrowing. Any new borrowing will attract a premium of 1% on the prevailing PWLB rates and removes the entitlement for us to borrowing using certainty rates, so will be</p>

	closer to 1.2% above the rate we would have borrowed at. The repayments will add to the financial pressures the Council faces.
72.	The Asset Disposal and Development Programme will generate capital receipts over a number of years and these receipts will be used to meet the costs of the transformation programme and, if there is sufficient available, consideration will be giving to using receipts to fund the capitalisation direction instead of borrowing, which is likely to be at a 1% premium.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
73.	There is a revenue cost of providing the capital programme, through the interest cost of borrowing and the minimum revenue provision (MRP). MRP is the calculated annual charge to the revenue account to repay debt incurred in respect of capital expenditure financed by borrowing or other long term credit arrangements (such as PFI). It is charged over a period that is commensurate with the benefits of capital expenditure. The cost of the current capital programme forms part of the Medium-Term Financial Strategy and is monitored and reported as part of the revenue financial monitoring.
74.	A key indicator is the ratio of Capital Financing to the Net Revenue Budget of the council. Following the highly publicised over borrowing by some local authorities it is expected that CIPFA and central government will propose a strengthening of the prudential limits by including upper limits on the level of borrowing. The council has introduced a ceiling for the above indicator, prior to any change to the Prudential Code, and set the General Fund at a maximum of 11% of Net Revenue Budget. It also now needs to be in keeping with 'purposeful investment' i.e. does the investment reduce revenue expenditure/increase income? Does it offset a future financial pressure? Does it have a significant impact on the lives of residents?
75.	The capital implications are detailed within the report.
<u>Property/Other</u>	
76.	There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
77.	The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.
78.	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.
79.	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.
80.	It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies/projects 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.
<u>Other Legal Implications:</u>	
81.	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 2024/25 must be proposed by Cabinet for consideration by the full Council under the Constitution. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.
RISK MANAGEMENT IMPLICATIONS	
82.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time and is reported via the Revenue Financial Monitoring report. It is from this register that the level of balances and reserves is determine, including a small reserve for capital funding. The main risks effecting the capital programme are: <ul style="list-style-type: none"> • Interest rates underestimated, resulting in a higher cost of borrowing to fund the programme, • Slippage in capital receipts or grants not secured, resulting in a funding gap, • Inflation, impacting on construction costs and availability of suppliers.
POLICY FRAMEWORK IMPLICATIONS	
83.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.
84.	

KEY DECISION?	Yes/No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Capital Strategy 2024/25
2.	Minimum Revenue Provision (MRP) Strategy 2024/25
3.	Non-Treasury Investment Strategy 2024/25
4.	Treasury Management Strategy 2024/25

5.	Flexible Use of Capital Receipts Strategy 2024/25
6.	Asset Development & Disposal Programme (ADDP) Principles & Governance
7.	Variations to the General Fund Capital Programme Since Q3
8.	General Fund Capital Programme – Scheme Details
9.	Investment Assets

Documents In Members' Rooms

1.	Updated SEND FBC
2.	
3.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes/No
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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/No
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Other Background Documents

Other Background documents available for inspection at:

	Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	SEND Programme (Cabinet 14 March 2023)	
3.	Outdoor Sports Centre (Cabinet 6 February 2024)	

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Southampton City Council

CAPITAL STRATEGY

2024/25

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	<u>SECTION 1 – INTRODUCTION</u>																																																																																																																						
1.1	Background																																																																																																																						
1.1.1	This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.																																																																																																																						
1.1.2	The Prudential Code requires the council to have in place a capital strategy that sets out the long-term context in which capital expenditure decisions are made in order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.																																																																																																																						
1.1.3	Decisions made this year on capital and treasury management will have financial consequences for the Authority years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised within this strategy.																																																																																																																						
	<u>SECTION 2 - CAPITAL EXPENDITURE AND FINANCING</u>																																																																																																																						
2.1	Estimates of Capital Expenditure																																																																																																																						
2.1.1	<p>Capital expenditure is where the council spends money on assets, such as property or vehicles, which will be operational for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.</p> <p>In 2024/25 the council is planning capital expenditure of £156.97M, shown below:</p> <p><i>Table 1: Prudential Indicator: Estimates of Capital Expenditure in £M</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Capital Expenditure and Financing</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> </tr> <tr> <th>Actual</th> <th colspan="5">Forecast</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>12.78</td> <td>9.88</td> <td>18.47</td> <td>9.84</td> <td>26.22</td> <td>0.71</td> </tr> <tr> <td>Corporate Services</td> <td>3.81</td> <td>2.89</td> <td>3.60</td> <td>5.00</td> <td>3.50</td> <td>1.50</td> </tr> <tr> <td>Place</td> <td>42.61</td> <td>60.26</td> <td>65.64</td> <td>26.11</td> <td>5.65</td> <td>4.20</td> </tr> <tr> <td>Strategy & Performance</td> <td>0.31</td> <td>2.68</td> <td>6.90</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Wellbeing & Housing</td> <td>3.44</td> <td>3.21</td> <td>3.63</td> <td>3.35</td> <td>0.55</td> <td>0.00</td> </tr> <tr> <td>Total General Fund</td> <td>62.94</td> <td>78.93</td> <td>98.24</td> <td>44.30</td> <td>35.93</td> <td>6.41</td> </tr> <tr> <td>HRA</td> <td>35.88</td> <td>41.98</td> <td>58.73</td> <td>61.16</td> <td>40.30</td> <td>38.91</td> </tr> <tr> <td>Total Expenditure</td> <td>98.82</td> <td>120.91</td> <td>156.97</td> <td>105.46</td> <td>76.23</td> <td>45.32</td> </tr> <tr> <td>Capital Receipts</td> <td>6.58</td> <td>4.74</td> <td>11.09</td> <td>2.75</td> <td>2.50</td> <td>2.63</td> </tr> <tr> <td>Capital Grants</td> <td>34.92</td> <td>46.70</td> <td>65.06</td> <td>16.70</td> <td>2.05</td> <td>0.00</td> </tr> <tr> <td>Contributions</td> <td>14.08</td> <td>9.26</td> <td>7.15</td> <td>4.33</td> <td>0.05</td> <td>0.00</td> </tr> <tr> <td>Major Repairs Allowance</td> <td>20.76</td> <td>21.49</td> <td>22.35</td> <td>22.84</td> <td>23.40</td> <td>23.79</td> </tr> <tr> <td>Direct Revenue Financing</td> <td>1.79</td> <td>3.35</td> <td>2.13</td> <td>1.16</td> <td>0.45</td> <td>0.55</td> </tr> <tr> <td>Council Resources - Borrowing</td> <td>20.68</td> <td>35.37</td> <td>49.19</td> <td>57.68</td> <td>47.77</td> <td>18.35</td> </tr> <tr> <td>Total Financing</td> <td>98.82</td> <td>120.91</td> <td>156.97</td> <td>105.46</td> <td>76.23</td> <td>45.32</td> </tr> </tbody> </table>	Capital Expenditure and Financing	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Actual	Forecast					Children & Learning	12.78	9.88	18.47	9.84	26.22	0.71	Corporate Services	3.81	2.89	3.60	5.00	3.50	1.50	Place	42.61	60.26	65.64	26.11	5.65	4.20	Strategy & Performance	0.31	2.68	6.90	0.00	0.00	0.00	Wellbeing & Housing	3.44	3.21	3.63	3.35	0.55	0.00	Total General Fund	62.94	78.93	98.24	44.30	35.93	6.41	HRA	35.88	41.98	58.73	61.16	40.30	38.91	Total Expenditure	98.82	120.91	156.97	105.46	76.23	45.32	Capital Receipts	6.58	4.74	11.09	2.75	2.50	2.63	Capital Grants	34.92	46.70	65.06	16.70	2.05	0.00	Contributions	14.08	9.26	7.15	4.33	0.05	0.00	Major Repairs Allowance	20.76	21.49	22.35	22.84	23.40	23.79	Direct Revenue Financing	1.79	3.35	2.13	1.16	0.45	0.55	Council Resources - Borrowing	20.68	35.37	49.19	57.68	47.77	18.35	Total Financing	98.82	120.91	156.97	105.46	76.23	45.32
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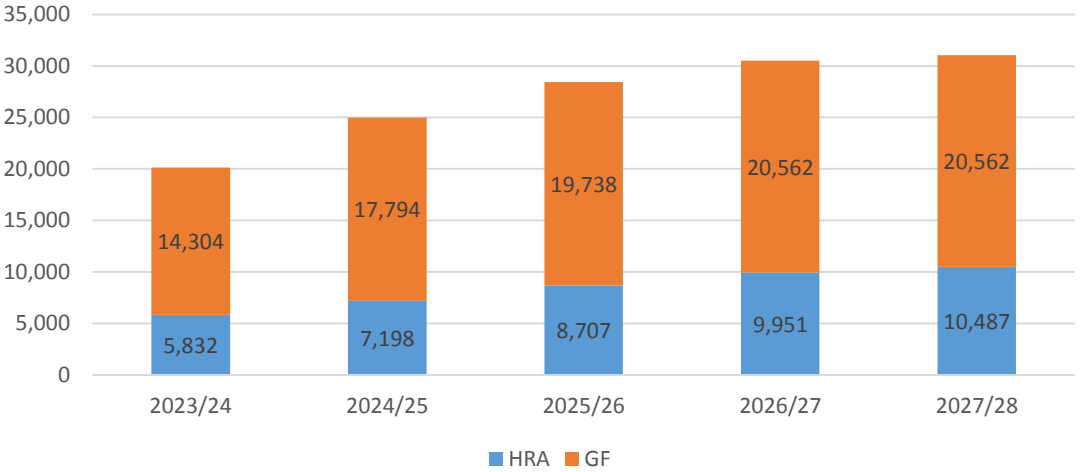
	<p><i>*This excludes any capitalisation direction</i></p> <p>Due to changes in the accounting requirements for 'right to use' leases, the Council will be implementing on 1 April 2024, the council is currently assessing what impact this will have on the Capital programme, Capital Financing Requirement (CFR) and MRP liability. It is unlikely to have a significant impact.</p>																																																																																																																																																																												
2.1.2	<p>All capital expenditure must be financed, either from external sources (government grants and other contributions), the council's own resources (revenue, reserves, and capital receipts) or debt (borrowing, leasing, and Private Finance Initiative). The planned financing is in Table 1 above.</p>																																																																																																																																																																												
2.1.3	<p>The main General Fund capital projects are summarised below, in Table 2, by portfolio. Following a change in the Prudential Code, the Authority no longer incurs capital expenditure on investments.</p>																																																																																																																																																																												
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		Estate Improvements	0.96	1.12	0.79	0.00	0.00	0.00																																																																																								
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2.1.5	<p>The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is reported separately to Full Council and includes the building of new homes. The main programmes are below:</p> <p><i>Table 3: HRA Major Projects by Programme</i></p> <table border="1"> <thead> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>2028/29</th> <th>Total</th> </tr> <tr> <th></th> <th>Forecast</th> <th>Budget</th> <th>Budget</th> <th>Budget</th> <th>Budget</th> <th>Budget</th> <th></th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Improving Quality of Homes</td> <td>10.89</td> <td>13.23</td> <td>14.93</td> <td>12.33</td> <td>12.40</td> <td>12.40</td> <td>76.17</td> </tr> <tr> <td>Improving Energy Efficiency</td> <td>5.93</td> <td>19.19</td> <td>19.80</td> <td>8.17</td> <td>9.40</td> <td>9.40</td> <td>71.90</td> </tr> <tr> <td>Improving Safety of Homes</td> <td>13.98</td> <td>15.51</td> <td>12.67</td> <td>9.09</td> <td>8.80</td> <td>7.80</td> <td>67.85</td> </tr> <tr> <td>Regeneration</td> <td>3.88</td> <td>3.60</td> <td>6.24</td> <td>3.57</td> <td>-</td> <td>-</td> <td>17.29</td> </tr> <tr> <td>Supporting Communities</td> <td>3.91</td> <td>1.82</td> <td>1.67</td> <td>1.57</td> <td>1.57</td> <td>1.57</td> <td>12.11</td> </tr> <tr> <td>Supporting Independent Living</td> <td>3.38</td> <td>5.38</td> <td>3.84</td> <td>3.00</td> <td>3.00</td> <td>3.00</td> <td>21.60</td> </tr> <tr> <td>Inflation allowance</td> <td></td> <td></td> <td>2.01</td> <td>2.56</td> <td>3.75</td> <td>4.78</td> <td>13.09</td> </tr> <tr> <td></td> <td>41.98</td> <td>58.73</td> <td>61.16</td> <td>40.30</td> <td>38.91</td> <td>38.94</td> <td>280.01</td> </tr> </tbody> </table>									2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total		Forecast	Budget	Budget	Budget	Budget	Budget			£M	£M	£M	£M	£M	£M	£M	Improving Quality of Homes	10.89	13.23	14.93	12.33	12.40	12.40	76.17	Improving Energy Efficiency	5.93	19.19	19.80	8.17	9.40	9.40	71.90	Improving Safety of Homes	13.98	15.51	12.67	9.09	8.80	7.80	67.85	Regeneration	3.88	3.60	6.24	3.57	-	-	17.29	Supporting Communities	3.91	1.82	1.67	1.57	1.57	1.57	12.11	Supporting Independent Living	3.38	5.38	3.84	3.00	3.00	3.00	21.60	Inflation allowance			2.01	2.56	3.75	4.78	13.09		41.98	58.73	61.16	40.30	38.91	38.94	280.01
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2.2	Governance																																																																																															
2.2.1	<p>Service managers have identified projects to be included in the council's capital programme. Projects are collated by corporate finance who calculate the financing cost (which can be zero if the project is fully externally financed). The Council Capital Board (CCB) appraises all projects based on a comparison of service priorities against financing costs and makes recommendations to Cabinet. The final capital programme is then presented to Cabinet and Council at budget and council tax setting each year.</p> <p>This year has seen an increased focus on affordability, addressing health and safety concerns and opportunities for invest to save, given ongoing financial pressures and reducing resources. Capital construction costs have seen an unprecedented increase due to inflation and market volatility and the cost of borrowing to finance the programme has been affected by interest rates.</p>																																																																																															
2.3	Methods of Funding																																																																																															
2.3.1	<p><u>Use of Leasing</u></p> <p>The council does have the option to lease assets using an operating lease arrangement, however with the flexibility afforded through Prudential Borrowing this source of financing has been less attractive. Going forward lease versus buy appraisal will be taken for each project, particularly fleet.</p>																																																																																															

2.3.2	<p><u>Tax Increment Financing (TIF)</u></p> <p>The Local Government Finance Act 2012 provided the legislative framework for the introduction of TIF, as an incentive to grow local economies and attract new businesses to areas.</p> <p>TIF allows councils to borrow against future increases in business rate revenues generated because of local developments and growth. By capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.</p>
2.3.3	<p><u>S106 Agreements</u></p> <p>S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site-specific infrastructure to support it.</p> <p>These contributions are site specific or can be ‘pooled’ for a maximum of five site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.</p> <p>S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm, and public art. However, since the council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site-specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.</p> <p>The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.</p>
2.3.4	<p><u>Community Infrastructure Levy (CIL)</u></p> <p>CIL was adopted by the council in September 2013. CIL contributions are determined by set rates as detailed within the council’s CIL Charging Schedule and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed because of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.</p> <p>The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.</p> <p>The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing</p>

	<p>infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education, and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations. In addition, SCC have opted to continue to seek S106 contributions for transport. All other S106s contributions are now agreed through CIL.</p> <p>The Localism Act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding could be used towards a substantial number of the council's current programmes i.e. School Expansion and the Roads Programme.</p> <p>The CIL funding can be used to fund existing schemes within the current General Fund capital programme that meet the definition of infrastructure. The previous agreed approach is to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.</p> <p>However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the ward that the receipt originated from, in consultation and agreement with the local community.</p>
2.3.5	<p><u>Private Finance Initiative (PFI)</u></p> <p>Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.</p> <p>Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction, and maintenance of the asset over the contract term, which is typically for a 25-year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the council.</p> <p>No additional PFI projects are anticipated. Any such proposals would be presented to the EMB for evaluation before presentation for Members approval.</p>
2.4	<p>Gross Debt and the Capital Financing Requirement</p>
2.4.1	<p>Debt is only a temporary source of finance, since loans and leases must be repaid, and this is replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.</p>
2.4.2	<p>The council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £35.31M during 2024/25.</p>
2.4.3	<p>CFR is a key indicator of prudence. To ensure that over the medium-term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Based on the</p>

	above figures for expenditure and financing, the council's estimated CFR is detailed in table 4 below.																																																																													
2.4.4	<p><i>Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £M</i></p> <table border="1"> <thead> <tr> <th>Capital Financing Requirement</th> <th>31-Mar-23</th> <th>31-Mar-24</th> <th>31-Mar-25</th> <th>31-Mar-26</th> <th>31-Mar-27</th> <th>31-Mar-28</th> </tr> <tr> <th></th> <th>Actual</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> </tr> </thead> <tbody> <tr> <td>Balance Brought forward</td> <td>339.15</td> <td>342.57</td> <td>350.62</td> <td>355.88</td> <td>363.38</td> <td>384.59</td> </tr> <tr> <td>New Capital Borrowing</td> <td>14.53</td> <td>20.40</td> <td>19.13</td> <td>21.69</td> <td>34.97</td> <td>6.41</td> </tr> <tr> <td>MRP</td> <td>(7.61)</td> <td>(8.69)</td> <td>(9.53)</td> <td>(10.34)</td> <td>(10.19)</td> <td>(11.31)</td> </tr> <tr> <td>Movement in Other Liabilities</td> <td>(3.50)</td> <td>(3.66)</td> <td>(4.34)</td> <td>(3.85)</td> <td>(3.57)</td> <td>(4.12)</td> </tr> <tr> <td>Total General Fund Debt</td> <td>342.57</td> <td>350.62</td> <td>355.88</td> <td>363.38</td> <td>384.59</td> <td>375.57</td> </tr> <tr> <td>HRA</td> <td>174.88</td> <td>189.85</td> <td>219.90</td> <td>255.89</td> <td>268.69</td> <td>280.63</td> </tr> <tr> <td>Total CFR</td> <td>517.45</td> <td>540.47</td> <td>575.78</td> <td>619.27</td> <td>653.28</td> <td>656.20</td> </tr> <tr> <td>Less Other Debt Liabilities*</td> <td>(57.11)</td> <td>(53.45)</td> <td>(49.12)</td> <td>(45.27)</td> <td>(41.69)</td> <td>(37.57)</td> </tr> <tr> <td>Loans CFR</td> <td>460.34</td> <td>487.02</td> <td>526.66</td> <td>574.00</td> <td>611.59</td> <td>618.63</td> </tr> </tbody> </table>	Capital Financing Requirement	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Balance Brought forward	339.15	342.57	350.62	355.88	363.38	384.59	New Capital Borrowing	14.53	20.40	19.13	21.69	34.97	6.41	MRP	(7.61)	(8.69)	(9.53)	(10.34)	(10.19)	(11.31)	Movement in Other Liabilities	(3.50)	(3.66)	(4.34)	(3.85)	(3.57)	(4.12)	Total General Fund Debt	342.57	350.62	355.88	363.38	384.59	375.57	HRA	174.88	189.85	219.90	255.89	268.69	280.63	Total CFR	517.45	540.47	575.78	619.27	653.28	656.20	Less Other Debt Liabilities*	(57.11)	(53.45)	(49.12)	(45.27)	(41.69)	(37.57)	Loans CFR	460.34	487.02	526.66	574.00	611.59	618.63
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2.4.5	<p><i>Table 5 – Current and Estimated Movement in Gross Debt £M</i></p> <table border="1"> <thead> <tr> <th>Gross Debt</th> <th>31-Mar-23</th> <th>31-Mar-24</th> <th>31-Mar-25</th> <th>31-Mar-26</th> <th>31-Mar-27</th> <th>31-Mar-28</th> </tr> <tr> <th></th> <th>Actual</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> </tr> </thead> <tbody> <tr> <td>Borrowing (Long Term GF)</td> <td>125.82</td> <td>159.29</td> <td>189.98</td> <td>199.97</td> <td>219.97</td> <td>213.26</td> </tr> <tr> <td>Borrowing (Long Term HRA)</td> <td>172.37</td> <td>188.01</td> <td>218.02</td> <td>254.02</td> <td>258.49</td> <td>270.40</td> </tr> <tr> <td>Borrowing (Short Term)</td> <td>5.00</td> <td>20.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Total Borrowing</td> <td>303.19</td> <td>367.30</td> <td>408.00</td> <td>453.99</td> <td>478.46</td> <td>483.66</td> </tr> <tr> <td>Finance leases and Private Finance Initiatives</td> <td>44.37</td> <td>41.08</td> <td>37.11</td> <td>33.62</td> <td>30.40</td> <td>26.64</td> </tr> <tr> <td>Transferred Debt</td> <td>12.73</td> <td>12.37</td> <td>12.01</td> <td>11.64</td> <td>11.28</td> <td>10.92</td> </tr> <tr> <td>Total Other Debt</td> <td>57.10</td> <td>53.45</td> <td>49.12</td> <td>45.26</td> <td>41.68</td> <td>37.56</td> </tr> <tr> <td>Total Debt</td> <td>360.29</td> <td>420.75</td> <td>457.12</td> <td>499.25</td> <td>520.14</td> <td>521.22</td> </tr> </tbody> </table>	Gross Debt	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Borrowing (Long Term GF)	125.82	159.29	189.98	199.97	219.97	213.26	Borrowing (Long Term HRA)	172.37	188.01	218.02	254.02	258.49	270.40	Borrowing (Short Term)	5.00	20.00	0.00	0.00	0.00	0.00	Total Borrowing	303.19	367.30	408.00	453.99	478.46	483.66	Finance leases and Private Finance Initiatives	44.37	41.08	37.11	33.62	30.40	26.64	Transferred Debt	12.73	12.37	12.01	11.64	11.28	10.92	Total Other Debt	57.10	53.45	49.12	45.26	41.68	37.56	Total Debt	360.29	420.75	457.12	499.25	520.14	521.22							
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2.4.6	There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the council's level of balances, reserves, provisions and working capital as the council's strategy has been to only borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the council's lending list and to avoid the cost of carry existing in the current interest rate environment.																																																																													
2.4.7	Given the significant cuts to public expenditure and in particular to local government funding the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short-term instead.																																																																													
2.4.8	By doing so, the council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the council with this 'cost of carry' and breakeven analysis.																																																																													

2.4.9	Constant monitoring of rates also allows the Council to take advantage when long-term rates fall. In 2023/24, long term PWLB loans were taken when rates fell and were able to secure a rate lower than budgeted and lower than short term.																								
2.4.10	Any change to the strategy would require approval by full Council and additional Treasury Training would be provided to assist members in understanding the risks and implications of any change to the current strategy.																								
Revenue Impact of the Capital Programme																									
2.4.10	<p>In terms of the impact on the revenue budget of the council the forecast for borrowing costs (for capital financing) in 2024/25 is £25.19M, of which £7.20M relates to the HRA. This is made up of interest on borrowing of £15.11M and other costs of £10.08M. This is expected to rise to £33.05M (£10.49M HRA) by 2027/28 to accommodate the capital programme, utilisation of reserves and refinancing of borrowing. However, this will be subject to movement as the need for further borrowing becomes more certain. The impact is also shown in the chart below:</p> <div data-bbox="300 801 1425 1384" style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p style="text-align: center;">Forecast Borrowing Costs £000s</p>  <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th>Year</th> <th>HRA (£000s)</th> <th>GF (£000s)</th> <th>Total (£000s)</th> </tr> </thead> <tbody> <tr> <td>2023/24</td> <td>5,832</td> <td>14,304</td> <td>20,136</td> </tr> <tr> <td>2024/25</td> <td>7,198</td> <td>17,794</td> <td>24,992</td> </tr> <tr> <td>2025/26</td> <td>8,707</td> <td>19,738</td> <td>28,445</td> </tr> <tr> <td>2026/27</td> <td>9,951</td> <td>20,562</td> <td>30,513</td> </tr> <tr> <td>2027/28</td> <td>10,487</td> <td>20,562</td> <td>31,049</td> </tr> </tbody> </table> </div>	Year	HRA (£000s)	GF (£000s)	Total (£000s)	2023/24	5,832	14,304	20,136	2024/25	7,198	17,794	24,992	2025/26	8,707	19,738	28,445	2026/27	9,951	20,562	30,513	2027/28	10,487	20,562	31,049
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2.5	Asset Management																								
2.5.1	<p>To ensure that capital assets continue to be of long-term use, the council has engaged a specialist to assist with the production of a comprehensive corporate asset management strategy. This strategy allows the council to plan effectively for its property needs now and, in the future, focusing on:</p> <ul style="list-style-type: none"> • what property assets the council owns and uses, • how property is used by the council, • how the council's property needs might change and evolve over time, and • ensuring where possible that the council always has the right property fit for purpose. 																								
2.5.2	<p>When determining the capital programme and allocating resources the Council will also have regard to:</p> <ul style="list-style-type: none"> • The preparation of the statutory Local Transport Plan, and Highways Asset Management Strategy, 																								

	<ul style="list-style-type: none"> • The preparation of the Asset Management Plan for Schools and Council Buildings to ensure health and safety issues are dealt with appropriately, and • The council's obligation to finance adaptations to the homes of disabled residents. Funding is passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the council, as part of the S75 pooling arrangement. 																								
2.6	Asset Disposals																								
2.6.1	<p>When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.</p> <p>The council is currently permitted to spend capital receipts "flexibly" on service transformation projects until 2025/26.</p> <p>Repayments of capital grants, loans and investments also generate capital receipts.</p>																								
2.6.2	<p>The Asset Development & Disposal Programme (ADDP) was initiated in 2023/24 with the vision to drive Southampton's growth through the retention, development, or disposal of SCC's corporate, operational and investment portfolio. It is a capital transformation programme, with capital receipts secured from the disposal of assets funding future transformation activity across the council, including ADDP resources.</p> <p>Along with the securing of capital receipts, ADDP is seeking to achieve wider financial benefits through development and disposal activity. This includes achieving additional council tax revenue and business rates, as well as other revenue savings through reductions in utilities and maintenance costs.</p> <p>One of the early activities within the ADD programme is reviewing corporate and operational assets to assess whether they should be retained, disposed, or redeveloped in the future.</p>																								
2.6.3	<p>Assets to be disposed of are still being assessed as part of ADDP as noted above with the intention of generating a minimum of £15M capital receipts per year.</p> <p><i>Table 6: GF Capital receipts receivable (£M)</i></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23 Actual</th> <th>2023/24 Forecast</th> <th>2024/25 Forecast</th> <th>2025/26 Forecast</th> <th>2026/27 Forecast</th> </tr> </thead> <tbody> <tr> <td>Asset sales</td> <td>0.21</td> <td>12.79</td> <td>15.00</td> <td>15.00</td> <td>15.35</td> </tr> <tr> <td>Loans repaid*</td> <td>0.12</td> <td>0.22</td> <td>0.10</td> <td>0.10</td> <td>0.10</td> </tr> <tr> <td>TOTAL</td> <td>0.33</td> <td>13.01</td> <td>15.10</td> <td>15.10</td> <td>15.10</td> </tr> </tbody> </table> <p>*It is difficult to predict future receipts, as based on recipient moving property which is outside the Authority's control. So, this is a prudent estimate based on previous years actuals.</p> <p>Expected capital receipts are reported as part of the quarterly financial monitoring.</p>		2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	Asset sales	0.21	12.79	15.00	15.00	15.35	Loans repaid*	0.12	0.22	0.10	0.10	0.10	TOTAL	0.33	13.01	15.10	15.10	15.10
	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast																				
Asset sales	0.21	12.79	15.00	15.00	15.35																				
Loans repaid*	0.12	0.22	0.10	0.10	0.10																				
TOTAL	0.33	13.01	15.10	15.10	15.10																				
2.6.4	The current strategy for the use of capital receipts is to:																								

	<ul style="list-style-type: none"> • Consider funding transformational projects on a case-by-case basis, • Consider funding potential capitalisation directions, and • Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites within the city.
2.6.5	<p><u>Flexible use of Capital Receipts</u></p> <p>The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects between 1st April 2016 to 31st March 2019, this was then extended until March 2022.</p> <p>In February 2021, the Government announced that it would be extending the scheme for a further 3 years until March 2025 with the following conditions:</p> <ul style="list-style-type: none"> • The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority's net service expenditure and is expenditure on a project where incurring up-front costs will generate ongoing savings; and • Individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded, or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. • Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies. <p>The council has chosen to implement this policy and has prepared a Flexible Use of Capital Receipts Strategy 2024/25.</p> <p>It should be noted that the Secretary of State announced on 18 December 2023 consultation on further flexibilities for capital receipts including:</p> <ul style="list-style-type: none"> • Capitalising general cost pressures. • Extending flexible use of capital receipts to allow councils to borrow for revenue costs. • New flexibilities for the use of proceeds of selling investment assets used for rent or capital appreciation only.
2.6.6	<p><u>HRA Right to Buy Receipts</u></p> <p>In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the council under the agreement signed in June 2012 and amended in June 2013.</p>

	Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DLUHC.																																																								
	<u>SECTION 3 - TREASURY MANAGEMENT</u>																																																								
3.1	Background																																																								
3.1.1	Treasury management is concerned with keeping sufficient but not excessive cash available to meet the council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.																																																								
3.2	Borrowing strategy																																																								
3.2.1	<p>The Authority's main objectives when borrowing, are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.</p> <p>The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.</p> <p>Projected levels of the council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below in Table 6, compared with the capital financing requirement (see Table 4 above).</p> <p>Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the council expects to comply with this in the medium term.</p>																																																								
3.3	Liability benchmark																																																								
3.3.1	<p>To compare the council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20M at each year-end. This benchmark is currently £303.20M and is forecast to rise to £454.05M over the next three years.</p> <p><i>Table 7: Liability Benchmark in £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>31-Mar-23</th> <th>31-Mar-24</th> <th>31-Mar-25</th> <th>31-Mar-26</th> <th>31-Mar-27</th> <th>31-Mar-28</th> </tr> <tr> <th></th> <th>Actual</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> <th>Forecast</th> </tr> </thead> <tbody> <tr> <td>Loans CFR</td> <td>460.34</td> <td>487.02</td> <td>526.66</td> <td>574.01</td> <td>611.60</td> <td>618.64</td> </tr> <tr> <td>Less Balance sheet Resources</td> <td>(157.14)</td> <td>(165.78)</td> <td>(166.59)</td> <td>(167.96)</td> <td>(172.70)</td> <td>(172.70)</td> </tr> <tr> <td>Plus Minimum Investments</td> <td></td> <td>48.00</td> <td>48.00</td> <td>48.00</td> <td>48.00</td> <td>48.00</td> </tr> <tr> <td>Liability Benchmark</td> <td>303.20</td> <td>369.24</td> <td>408.07</td> <td>454.05</td> <td>486.90</td> <td>493.94</td> </tr> <tr> <td>Less Committed External Borrowing</td> <td>(303.20)</td> <td>(312.60)</td> <td>(282.00)</td> <td>(271.40)</td> <td>(260.80)</td> <td>(250.20)</td> </tr> <tr> <td>Minimum Borrowing Need</td> <td>0.00</td> <td>56.64</td> <td>126.07</td> <td>182.65</td> <td>226.10</td> <td>243.74</td> </tr> </tbody> </table>		31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Loans CFR	460.34	487.02	526.66	574.01	611.60	618.64	Less Balance sheet Resources	(157.14)	(165.78)	(166.59)	(167.96)	(172.70)	(172.70)	Plus Minimum Investments		48.00	48.00	48.00	48.00	48.00	Liability Benchmark	303.20	369.24	408.07	454.05	486.90	493.94	Less Committed External Borrowing	(303.20)	(312.60)	(282.00)	(271.40)	(260.80)	(250.20)	Minimum Borrowing Need	0.00	56.64	126.07	182.65	226.10	243.74
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3.4	Affordable Borrowing Limit																				
3.4.1	<p>The council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.</p> <p>The council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise because of all the financial transactions of the council and not just those arising from capital spending reflected in the CFR.</p>																				
3.4.2	<p>The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the council. It is measured daily against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases.</p> <p>The Authorised Limit, shown in table 8, has been set on the estimate of the prudent but not worst-case scenario with sufficient headroom to allow for unusual cash movements, for example a complete debt restructure requiring monies to be borrowed in advance of repayment of existing debt.</p>																				
3.4.3	<p><i>Table 8 – Authorised Limit for External Debt £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>710</td> <td>750</td> <td>840</td> <td>930</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>60</td> <td>60</td> <td>50</td> <td>50</td> </tr> <tr> <td>Total</td> <td>770</td> <td>810</td> <td>890</td> <td>980</td> </tr> </tbody> </table>		2023/24	2024/25	2025/26	2026/27	Borrowing	710	750	840	930	Other Long-term Liabilities	60	60	50	50	Total	770	810	890	980
	2023/24	2024/25	2025/26	2026/27																	
Borrowing	710	750	840	930																	
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Total	770	810	890	980																	
3.4.4	<p>The Operational Boundary is linked directly to the council’s estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit which allows for a full debt restructure if a favourable opportunity arose.</p>																				
3.4.5	<p><i>Table 9 – Operational Boundary for External Debt £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> </tr> </thead> <tbody> <tr> <td>Borrowing</td> <td>610</td> <td>630</td> <td>660</td> <td>710</td> </tr> <tr> <td>Other Long-term Liabilities</td> <td>60</td> <td>60</td> <td>50</td> <td>50</td> </tr> <tr> <td>Total</td> <td>670</td> <td>690</td> <td>710</td> <td>760</td> </tr> </tbody> </table>		2023/24	2024/25	2025/26	2026/27	Borrowing	610	630	660	710	Other Long-term Liabilities	60	60	50	50	Total	670	690	710	760
	2023/24	2024/25	2025/26	2026/27																	
Borrowing	610	630	660	710																	
Other Long-term Liabilities	60	60	50	50																	
Total	670	690	710	760																	
3.4.6	<p>The Executive Director Corporate Services & S151 Officer has delegated authority, within the above limits for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Council will be notified of any use of this delegated authority.</p>																				
3.5	Treasury Investment Strategy																				

3.5.1	Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not considered to be part of treasury management and are therefore dealt with in the Non-Treasury Strategy.
3.5.2	The Authority's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be required in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares, and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy, and the Authority may request its money back at short notice. Further details on treasury investments are in the Treasury Management Strategy.
3.6	Risk Management
3.6.1	The effective management and control of risk are prime objectives of the council's treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
3.6.2	The treasury management prudential indicators are considered by the Governance Committee on 4 March 2024.
3.7	Governance
3.7.1	Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director Corporate Services & S151 Officer and staff, who must act in line with the Treasury Management Strategy to be approved by Governance Committee on 4th March 2024. Quarterly financial monitoring reports to Cabinet include treasury management activity. The Governance Committee is responsible for scrutinising treasury management decisions.
	<u>SECTION 4 - INVESTMENTS FOR SERVICE PURPOSES</u>
4.1	Background
4.1.1	The council may make investments to assist local public services, including making loans to and buying shares in local service providers and businesses to promote economic growth. Considering the public service objective, the council is willing to take more risk than with treasury investments, however it still plans for such investments to break-even after all costs. Currently the council does not have any investments for service purposes, the criteria for potential investments in the future is set out in the Non-Treasury Investment Strategy 2024/25.

4.2	Governance
4.2.1	<p>Decisions on service investments are made by the relevant service director following consultation with the Executive Director Corporate Services & S151 Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and will be approved as part of the capital programme. The relevant service director is responsible for ensuring adequate due diligence before investment is made, including engaging independent and expert advice where necessary.</p> <p>Further details on service investments are included in the Non-Treasury Investment Strategy 2024/25.</p>
	<u>SECTION 5 - COMMERCIAL ACTIVITIES</u>
5.1	Background
5.1.1	<p>With central government financial support for local public services declining, the council had previously invested in commercial property for financial gain. Total commercial investments are valued at £23.8M, as of 31 March 2022, consisting of three properties providing a net return after all costs of 1.84%.</p> <p>With financial return being the main objective, the council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include reduced income due to rent voids or rent reductions and fall in capital value due to market conditions/demands. These risks are managed by performing credit checks on potential tenants, having a provision for bad debts and budget for maintenance costs, and regular monitoring to identify potential risks as early as possible.</p> <p>There are no plans for future commercial investments and current investments will be in scope of the ADDP.</p>
5.2	Governance
5.2.1	<p>Decisions on commercial investments are made by the Head of Property and Executive Director Corporate Services & S151 Officer, in consultation with the Cabinet Member for Finance & Change and the Leader of the Council in line with the criteria and limits in the Property Investment Strategy approved by Council. Property and most other commercial investments are also capital expenditure and will be approved as part of the capital programme.</p> <p>The relevant service director is responsible for ensuring adequate due diligence before investment is made, including engaging independent and expert advice where necessary.</p> <p>Further details on commercial investments and limits on their use are detailed in the Non-Treasury Investment Strategy 2024/25.</p>
5.2.2	<p>Net Income from Commercial Investment to Net Revenue Stream (NRS)</p> <p>The council's income from commercial investments as a proportion of its net revenue stream has been and is forecast, in Table 10 below. This shows that the council is not over dependent on income from investments.</p>

5.2.3	<p><i>Table 10 - Net Income from Commercial Investment to NRS £M to %</i></p> <table border="1"> <thead> <tr> <th>Ratio of Net Income from Commercial Investment to NRS</th> <th>2022/23 Actual</th> <th>2023/24 Forecast</th> <th>2024/25 Forecast</th> <th>2025/26 Forecast</th> <th>2026/27 Forecast</th> <th>2027/28 Forecast</th> </tr> </thead> <tbody> <tr> <td>Total net income from commercial investments</td> <td>6.48</td> <td>7.40</td> <td>7.03</td> <td>7.28</td> <td>7.28</td> <td>7.28</td> </tr> <tr> <td>Net Revenue Stream GF</td> <td>193.17</td> <td>221.58</td> <td>239.17</td> <td>290.03</td> <td>305.84</td> <td>317.76</td> </tr> <tr> <td>Proportion of NRS</td> <td>3.36%</td> <td>3.34%</td> <td>2.94%</td> <td>2.51%</td> <td>2.38%</td> <td>2.29%</td> </tr> </tbody> </table>	Ratio of Net Income from Commercial Investment to NRS	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total net income from commercial investments	6.48	7.40	7.03	7.28	7.28	7.28	Net Revenue Stream GF	193.17	221.58	239.17	290.03	305.84	317.76	Proportion of NRS	3.36%	3.34%	2.94%	2.51%	2.38%	2.29%
Ratio of Net Income from Commercial Investment to NRS	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast																							
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<u>SECTION 6 – OTHER LIABILITIES</u>																													
6.1	Background																												
6.1.1	In addition to debt detailed above, the council has set aside an earmarked insurance reserve of £0.13M to cover risks of a potential liability created by Municipal Mutual Insurance (MMI) levy and other uninsured losses which might occur in the future. As of 31 March 2023, the council's outstanding potential liability stood at £1.390M (2021/22 £1.390M), less the £0.347M payment already made under the Scheme of Arrangement with MMI.																												
6.2	Governance																												
6.2.1	Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Executive Director Corporate Services & S151 Officer. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported to the appropriate committee. New liabilities exceeding £2M are reported to full Council for approval/notification as appropriate. Further details on liabilities and guarantees are on page 103 of the 2022/23 statement of accounts.																												
<u>SECTION 7- REVENUE BUDGET IMPLICATIONS</u>																													
7.1	Background																												
7.1.1	Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP and loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants.																												
7.2	Ratio of financing costs to net revenue stream																												
7.2.1	This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The upper limit for this ratio is currently set at 15% overall and 11% for General Fund only. The table below shows the likely position based on the proposed capital programme.																												

7.2.2	<p><i>Table 11: Prudential Indicator: Ratio of financing costs to net revenue stream %</i></p> <table border="1" data-bbox="300 241 1433 421"> <thead> <tr> <th>Ratio of Financing Costs to Net Revenue Stream</th> <th>2022/23 Actual</th> <th>2023/24 Forecast</th> <th>2024/25 Forecast</th> <th>2025/26 Forecast</th> <th>2026/27 Forecast</th> <th>2027/28 Forecast</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>9.58</td> <td>9.50</td> <td>10.41</td> <td>8.92</td> <td>8.47</td> <td>8.74</td> </tr> <tr> <td>HRA</td> <td>6.81</td> <td>7.87</td> <td>8.57</td> <td>9.99</td> <td>11.02</td> <td>11.26</td> </tr> <tr> <td>Total</td> <td>8.79</td> <td>9.09</td> <td>9.92</td> <td>9.17</td> <td>9.06</td> <td>9.32</td> </tr> </tbody> </table>	Ratio of Financing Costs to Net Revenue Stream	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	General Fund	9.58	9.50	10.41	8.92	8.47	8.74	HRA	6.81	7.87	8.57	9.99	11.02	11.26	Total	8.79	9.09	9.92	9.17	9.06	9.32
Ratio of Financing Costs to Net Revenue Stream	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast																							
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Total	8.79	9.09	9.92	9.17	9.06	9.32																							
7.2.3	<p>An application has been made to Government seeking Exceptional Financial Support to help balance the budget for 2024/25.</p> <p>The exceptional support is in the form of a ‘capitalisation direction.’ It is important to note that this is not additional funding or any form of ‘bailout.’ Capitalisation is how the government permits local authorities to treat revenue costs as capital expenditure. It is a relaxation of the rules that require revenue costs to be met from revenue resources only and that councils should not “borrow” to fund revenue expenditure. Obviously, a local authority does not have to borrow to fund the capitalised expenditure as it can legitimately use capital receipts to do.</p> <p>It offers only a ‘window’ to take some pressure off the General Fund revenue budget by using capital as a funding source thereby providing a time-limited opportunity to review spending plans and to re-balance revenue budgets taking a longer-term view. The capitalisation direction does not have to be used, but it provides the option to council to supplement funding using the capitalisation direction.</p> <p>Any use of exceptional support must be agreed by the government, and there are no guarantees their agreement will be forthcoming. But if granted, it comes at the cost of generating capital receipts to create the necessary funding, or at a cost of new borrowing, which also must be financed, adding to financial pressure. If sufficient asset sales cannot be generated within the necessary timescales to meet requirements, future years’ revenue budgets will need to be increased to reflect the extra borrowing costs.</p> <p>Any new borrowing taken under this arrangement does not qualify for the PWLB certainty rate and incurs a premium of 1%, so any borrowing taken will be 1.2% above the certainty rate, an additional £0.12M interest for each £10M taken. Current forecast for the 20-year PWLB maturity borrowing is around 5%, so including the additional 1.2%, additional revenue interest costs will be £0.62M for every £10M borrowing taken. This will impact on the figures in table 10 and the limit for the GF would need to increase above the current 11%.</p>																												
7.2.4	<p>This indicator is not so relevant for the HRA, especially since the introduction of self-financing, as financing costs have been built into their 40-year business plan, including the voluntary payment of MRP. There are no issues with affordability but if difficulties were to arise then the HRA would have the option not to make principal repayments in the early years, which it has currently opted to do.</p>																												
7.3	<p>Sustainability</p>																												
7.3.1	<p>Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for</p>																												

	up to 40 years into the future. The Executive Director for Corporate Services & S151 Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable.
	<u>SECTION 8 - CAPACITY AND SKILLS</u>
8.1	Background
8.1.1	<p>The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.</p> <p>For example, the Executive Director Corporate Services & S151 Officer is a qualified accountant with extensive years' experience within local government at a senior level. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACCA, AAT, ACT (treasury), ATT (tax).</p> <p>Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the council has access to knowledge and skills commensurate with its risk appetite.</p>

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MINIMUM REVENUE PROVISION (MRP) STRATEGY 2024/25

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008, the council is required to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the guidance) most recently issued in 2018.

The broad aim of the guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.

There is currently a consultation on changes to the statutory guidance [Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space](#) which closed on 16 February 2024 with results expected by 29 February 2024 and feedback by 15 March 2024. If any changes to our MRP strategy are required because of the outcome of the consultation, the Section 151 will take appropriate action and report to Governance Committee as part of the mid-year review of prudential limits and treasury management.

If an asset is disposed of CIPFA advise that where the depreciation method of MRP is adopted that: *"On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. This does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt."* We use the annuity method for calculating MRP and guidance is silent on action to take upon disposal for this method, so we can choose appropriate action. We currently follow the recommended action for the depreciation method and continue to make MRP as opposed to paying off debt.

The guidance requires the Council to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP.

For borrowing incurred prior to 1st April 2008, when the prudential regime was introduced, MRP will be charged using the regulatory method over a 50 year life. The guidance determines this as the maximum useful life as this is the maximum PWLB borrowing term.

For prudential borrowing incurred after 31st March 2008 MRP will be determined the asset life method and charged over the expected useful life. This includes MRP for investment property, as the depreciation method used previously is no longer available for investment property following the revised guidance.

We will continue to review MRP, and the CFO has delegated powers to change the proposed methods to aid good financial management whilst maintaining a prudent approach, should the need arise. Any changes required during the year will be reported

as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

There is no requirement for the Housing Revenue Account (HRA) to make MRP repayments, but it has previously opted to make voluntary repayments. Provision has been made within its business plan to show that it can pay down debt over the life of the 40-year business plan. Depreciation on HRA assets will be charged instead in line with regulations.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred balance sheet liability.

Former operating leases will be brought onto the balance sheet on 1st April 2024 (in line with the adoption of the IFRS 16 Leases accounting standard) and the asset values having been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

Capital expenditure incurred during 2024/25 and funded from borrowing will not be subject to a MRP charge until 2025/26 or later if asset is under construction.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

Table 1 - Current and Estimated MRP and CFR for 2024/25

	31/03/2023 Actual CFR	2023/24 MRP Liability	31/03/2024 Estimated CFR	2024/25 Estimated MRP
	£M	£M	£M	£M
Capital expenditure before 01.04.2008	85.28	1.73	83.54	1.72
Unsupported capital expenditure after 31.03.2008	200.18	6.96	213.62	7.80
Transferred debt	12.73	0.36	12.37	0.36
Finance leases and Private Finance Initiative	44.37	3.30	41.08	3.98
Total General Fund CFR and MRP Liability	342.56	12.35	350.61	13.86
Transfers	0.00	0.00	0.00	0.00
Net General Fund CFR and MRP Liability	342.56	12.35	350.61	13.86
Assets in the Housing Revenue Account	89.60	Nil	106.30	Nil
HRA subsidy reform payment	85.28	Nil	83.55	Nil
Transfers	0.00	Nil	0.00	Nil
Total Housing Revenue Account	174.88	0.00	189.85	0.00
Total	517.44	12.35	540.46	13.86

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Southampton City Council

NON-TREASURY INVESTMENT STRATEGY

2024/25

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7.1 Background

7.2 Total risk exposure

7.3 How investments are funded

7.4 Rate of return received

	<u>SECTION 1 – INTRODUCTION</u>
1.1	Background
1.1.1	<p>The Council invests its money for three broad purposes:</p> <ul style="list-style-type: none"> • it has surplus cash because of its day-to-day activities, for example income received in advance of expenditure (known as treasury management investments), • to support local public services by lending to or buying shares in other organisations (service investments), and • to earn investment income (known as commercial investments where this is the main purpose). <p>This investment strategy meets the requirements of statutory investment guidance issued by the government in January 2018 and focuses on the second and third of these categories.</p>
1.1.2	<p>The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the council’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.</p>
	<u>SECTION 2 - TREASURY MANAGEMENT INVESTMENTS</u>
2.1	Background
2.1.1	<p>The council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is forecast to be £38M at the end of 2024/25.</p>
2.1.2	<p>The contribution that these investments make to the objectives of the council is to support effective treasury management activities.</p>
2.1.3	<p>Full details of the council’s policies and its plan for 2024/25 for treasury management investments are detailed in the treasury management strategy.</p>
	<u>SECTION 3 - SERVICE INVESTMENTS: LOANS</u>
3.1	Background
3.1.1	<p>The Council can lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, residents, and its employees to support local public services and stimulate local economic growth. The Council does not currently have any service loans.</p>

3.2	Security - Loan Limits															
3.2.1	The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower have been set as in Table 1 below.															
3.2.2	<p>Table 1 – Loans for service purposes £M</p> <table border="1"> <thead> <tr> <th>Category of Borrower</th> <th>31.03.2023 Net showing in accounts</th> <th>2024/25 Approved Limit</th> </tr> </thead> <tbody> <tr> <td>Subsidiaries</td> <td>-</td> <td>2.00</td> </tr> <tr> <td>Suppliers</td> <td>-</td> <td>2.00</td> </tr> <tr> <td>Other Public Sector Bodies</td> <td>-</td> <td>20.00</td> </tr> <tr> <td>Charities</td> <td>-</td> <td>0.50</td> </tr> </tbody> </table>	Category of Borrower	31.03.2023 Net showing in accounts	2024/25 Approved Limit	Subsidiaries	-	2.00	Suppliers	-	2.00	Other Public Sector Bodies	-	20.00	Charities	-	0.50
Category of Borrower	31.03.2023 Net showing in accounts	2024/25 Approved Limit														
Subsidiaries	-	2.00														
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Other Public Sector Bodies	-	20.00														
Charities	-	0.50														
3.2.3	Accounting standards require the council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are net of this loss allowance. However, the council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.															
3.3	Potential Loan Criteria & Risk Assessment															
3.3.1	<p>The Council does not currently have any material loans but loans to subsidiaries may be considered in the future, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans would need to satisfy the following criteria:</p> <ul style="list-style-type: none"> • The loan for expenditure which would, if incurred by the Council, be capital expenditure, • The use of the loan is consistent with the Council's corporate / strategic objectives and priorities, • Due diligence conducted confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term, and • A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss. 															
3.3.2	The Council would assess the risk of loss before entering and whilst holding service loans. It is likely that should loans granted in the future an external advisor would be engaged to undertake an assessment of the market and relevant credit ratings. These ratings would be monitored, and appropriate action taken swiftly should they change.															

	Should the Council consider any service loans in the future a robust procedure will be developed and reported to Council as an update to this strategy.																																
	<u>SECTION 4 - SERVICE INVESTMENTS: SHARES</u>																																
4.1	Background																																
4.1.1	The Council can invest in the shares of its subsidiaries, its suppliers, local businesses, local charities, housing associations, residents, and its employees to support local public services and stimulate local economic growth.																																
4.1.2	One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council does not currently have any material investment in shares nor is there any intention to do so at present. If this changed the Council would undertake a risk assessment before entering not a purchase and would establish appropriate Prudential Indicators.																																
	<u>SECTION 5 - COMMERCIAL INVESTMENTS: PROPERTY</u>																																
5.1	Background																																
5.1.1	<p>The Council was able to invest in local, regional and UK commercial and residential property with the intention of making a profit to be spent on local public services. Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment used to fund council services, known as the Property investment fund (PIF). The council purchased three properties; details are in table 2 below.</p> <p>These properties are forecast to generate £1.8M income in 2023/24 a return of 2.13% against the amount invested.</p> <p>There is no intention to purchase any further investment properties, in line with recent updated CIPFA guidance.</p>																																
5.1.2	<p><i>Table 2: Property Investment Fund £M</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Property</th> <th rowspan="2">Actual</th> <th colspan="2">31.03.2023 Actual</th> <th rowspan="2">Outstanding Debt 31.03.2023</th> <th rowspan="2">Outstanding Debt 31.03.2024</th> </tr> <tr> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> </tr> </thead> <tbody> <tr> <td>Property 1</td> <td>6.47</td> <td>4.79</td> <td>(1.68)</td> <td>5.81</td> <td>5.74</td> </tr> <tr> <td>Property 2</td> <td>14.69</td> <td>10.61</td> <td>(4.08)</td> <td>13.18</td> <td>13.05</td> </tr> <tr> <td>Property 3</td> <td>8.53</td> <td>8.42</td> <td>(0.11)</td> <td>7.65</td> <td>7.57</td> </tr> <tr> <td></td> <td>29.69</td> <td>23.82</td> <td>(5.87)</td> <td>26.64</td> <td>26.36</td> </tr> </tbody> </table>	Property	Actual	31.03.2023 Actual		Outstanding Debt 31.03.2023	Outstanding Debt 31.03.2024	Value in Accounts	Cumulative Gain or (Loss)	Property 1	6.47	4.79	(1.68)	5.81	5.74	Property 2	14.69	10.61	(4.08)	13.18	13.05	Property 3	8.53	8.42	(0.11)	7.65	7.57		29.69	23.82	(5.87)	26.64	26.36
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	29.69	23.82	(5.87)	26.64	26.36																												

5.1.3	<p>In addition to the properties purchased under PIF, the council holds an extensive historic property portfolio.</p> <p>Information relating to purchase price and any associated debt is not held, as this is not required by legislation. The fair value of all investment properties at the 31 March 2023 was £112.4M a decrease of £1.7M from the year before.</p> <p>The Valuation and Estates section are responsible for the ongoing management and monitoring of the portfolio (including PIF) and for 2022/23 net income for the total portfolio was £6.4M compared to £6.3M in 2021/22 a net return of 5.67% against the Fair Value (5.48% in 2021/22).</p>
5.2	Security
5.2.1	<p>In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset. As can be seen from the table above the fair value assessment of these properties at the 31 March 2023 is below the purchase price, this was partly due to cost associated with the purchase (£1.79M) which, in line with the MRP policy in place at the time, was charged to revenue in 2017/18. Debt repayments are on the annuity basis and debt will reduce by approximately £0.25M per annum.</p>
5.2.2	<p>Table 2 also shows that if the fair value for properties 1 and 2 continue to be below the outstanding debt on 31 March 2023 by £3.59M. As this is outside of the current policy, the future of these assets is being considered, in light of current government guidance, bearing in mind that a disposal may incur a financial loss to the council. The council will continue to closely monitor the situation, as part of Asset Development & Disposal Programme, to look for solutions to increase the value, opportunities for disposal and report any further concerns through the relevant committees.</p>
5.2.3	<p>The council is exploring mitigating actions to protect the capital invested in Property 2, whilst supporting economic growth in the City. These actions include plans to divide the existing unit into two smaller units, to achieve the following benefits:</p> <ul style="list-style-type: none"> • Creating more marketable units for future growth and support the changing needs of businesses, • Reducing exposure to one tenant's income on such a large unit, • Improving the combined covenant strength underpinning this asset, and • Increasing the capital value of the asset above the value of outstanding debt and purchase cost.

5.3	Risk Assessment
5.3.1	The council assesses the risk of loss before purchasing and whilst holding investment property and monitors both the fair value and the return on the assets to assess the benefits of either retaining or disposing of the assets.
5.3.2	Budgeted investment income allows for voids and maintenance costs, which are reviewed as part of budget monitoring on individual properties to ensure they continue to provide the correct level of risk management.
5.4	Liquidity
5.4.1	Compared with other investment types, property can be difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Therefore, to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals. Since purchasing the PIF properties actual income has and continues to be in line with the budgeted figure and there are no current indicators to suggest that the forecast future income is unachievable. Any change will be reported as part of the revenue financial monitoring process.
	<u>SECTION 6 - CAPACITY AND SKILLS</u>
6.1	Elected members and statutory officers
6.1.1	<p>CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with Treasury Management (TM) responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Treasury training by our advisors, Arlingclose is offered to all members annually. This will be part of the training offered post the May 2024 election on financial matters.</p> <p>Further training will be provided where required, for example a change in leadership and the makeup of Governance committee or material change in the Treasury Strategy, to explain the reasons and ensure Members understand what they are being asked to approve.</p> <p>For officers, the Council adopts a continuous performance and development programme to ensure staff are regularly appraised and any training needs addressed. Relevant staff also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date. Details of training received are maintained as part of the performance and development review process.</p>
6.2	Commercial deals
6.2.1	<p>Any future commercial investments will be subject to a detailed business case and need the relevant approvals. The Council has a robust process in place for property investment and therefore has a separate Property Investment Strategy.</p> <p>It sets out the scoring criteria each investment will be subject to, including financial checks on potential tenants to evidence their financial stability and risk level. An independent valuation will also be conducted to obtain a level of assurance that the</p>

	<p>price quoted, and the rent charged were in line with the expected market rate. Once all criteria are met final agreement is required by the S151 Officer, Head of Property, the Cabinet Member for Finance & Change, and the Leader of the Council.</p> <p>The Council has an experienced in-house estates and valuation team, who will manage the process and the day-to-day management of any investments. The use of external experts will be employed where specialist knowledge is required in the acquisition, disposal, or performance management of commercial property.</p>																					
	<u>SECTION 7 - INVESTMENT INDICATORS</u>																					
7.1	Background																					
7.1.1	The council has set the following quantitative indicators to allow elected members and the public to assess the council's total risk exposure because of its investment decisions.																					
7.2	Total Risk Exposure																					
7.2.1	This indicator shows the council's total exposure to potential investment losses. This includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans.																					
7.2.2	<p><i>Table 3: Total investment exposure £M</i></p> <table border="1"> <thead> <tr> <th></th> <th>31.03.2023 Actual</th> <th>31.03.2024 Forecast</th> <th>31.03.2025 Forecast</th> </tr> </thead> <tbody> <tr> <td>Treasury management investments</td> <td>54.6</td> <td>48.1</td> <td>38.1</td> </tr> <tr> <td>Service investments: Loans</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Commercial Investments: PIF</td> <td>26.6</td> <td>26.4</td> <td>26.1</td> </tr> <tr> <td>TOTAL EXPOSURE</td> <td>81.2</td> <td>74.5</td> <td>64.2</td> </tr> </tbody> </table>		31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast	Treasury management investments	54.6	48.1	38.1	Service investments: Loans	0.0	0.0	0.0	Commercial Investments: PIF	26.6	26.4	26.1	TOTAL EXPOSURE	81.2	74.5	64.2	
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Commercial Investments: PIF	26.6	26.4	26.1																			
TOTAL EXPOSURE	81.2	74.5	64.2																			
7.3	How Investments are Funded																					
7.3.1	Government guidance is that these indicators should include how investments are funded. Since the council does not normally associate assets with specific liabilities, this guidance is difficult to comply with. However, the following investments could be described as funded by borrowing. The remainder of the council's investments are funded by usable reserves and income received in advance of expenditure.																					
7.3.2	<p><i>Table 4: Investments funded by borrowing and loan to value ratio.</i></p> <table border="1"> <thead> <tr> <th>Investment funded by borrowing</th> <th>2022/23 Actual</th> <th>Loan to Value Ratio</th> <th>2023/24 Forecast</th> <th>Loan to Value Ratio</th> <th>2024/25 Forecast</th> <th>Loan to Value Ratio</th> </tr> <tr> <td></td> <td>£M</td> <td>%</td> <td>£M</td> <td>%</td> <td>£M</td> <td>%</td> </tr> </thead> <tbody> <tr> <td>Commercial Investments: Property (PIF)</td> <td>26.6</td> <td>112</td> <td>26.4</td> <td>111</td> <td>26.1</td> <td>109</td> </tr> </tbody> </table> <p>The maximum loan to value indicator is set at 100%. Table 4 demonstrates the loan outstanding exceeds the estimated fair value, in aggregate for the three properties. The policy adopted states if that position should arise i.e. the value is less than the outstanding sum borrowed, this should be reported to Council and hence this is highlighted. The council should then look to take steps to assess the viability of</p>	Investment funded by borrowing	2022/23 Actual	Loan to Value Ratio	2023/24 Forecast	Loan to Value Ratio	2024/25 Forecast	Loan to Value Ratio		£M	%	£M	%	£M	%	Commercial Investments: Property (PIF)	26.6	112	26.4	111	26.1	109
Investment funded by borrowing	2022/23 Actual	Loan to Value Ratio	2023/24 Forecast	Loan to Value Ratio	2024/25 Forecast	Loan to Value Ratio																
	£M	%	£M	%	£M	%																
Commercial Investments: Property (PIF)	26.6	112	26.4	111	26.1	109																

	holding the investment, but it is proposed that the position is monitored and a future decision tabled as part of the ADDP.			
7.4	Rate of return received			
7.4.1	This indicator shows the investment income received less the associated costs, including the cost of borrowing, as a proportion of the debt outstanding. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are occur.			
7.4.2	<i>Table 5: Investment rate of return (net of all costs) %</i>			
	<i>Investment net rate of return</i>	<i>2022/23 Actual</i>	<i>2023/24 Forecast</i>	<i>2024/25 Forecast</i>
	<i>Property 1</i>	2.65	2.68	2.71
	<i>Property 2</i>	1.91	2.60	2.63
	<i>Property 3</i>	1.81	1.83	1.85
	<i>Total Average Rate of Return</i>	2.05	2.40	2.43

Southampton City Council

TREASURY MANAGEMENT STRATEGY

2024/25

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ANNEX 2	Economic and Interest Outlook
ANNEX 3	Existing Investments Debt Portfolio Position and Projections
ANNEX 4	Projected Movement on Capital Financing Requirement

	SECTION 1 - INTRODUCTION
1.1	BACKGROUND
1.1.1	Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code)</i> which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
1.1.2	Overall responsibility for treasury management (TM) remains with the Council. No TM activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. Our current policy is shown in Annex 1 (Treasury Management Policy Statement).
1.1.3	Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.
1.2	EXTERNAL CONTEXT
1.2.1	Annex 2 summarises the economic outlook and events in the context of which the Council operated its treasury function during 2023/24 and forecast movement in interest rates.
1.2.2	For setting the budget, it has been assumed that new investments for 2024/25 will be short-term and at an average rate of 4.40% and new long-term loans taken over the period of the strategy will be borrowed at an average rate of 4.95%.
1.3	LOCAL CONTEXT
1.3.1	On 31 December 2023 the Council held £361M of debt (£308M borrowing plus £53M other long-term liabilities) and £52M investments which is set out in further detail in Annex 3 (Existing Investment & Debt Portfolio Position and Projections).
1.3.2	The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The CFR is reduced by the application of resources such as capital receipts, grants, or revenue funds.
1.3.3	While usable reserves and working capital (balance sheet resources) are the underlying resources available for investment.
1.3.4	The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. Table 1 shows an increasing CFR due to the impact of the capital programme and a decreasing working balance surplus and will therefore need to borrow up to £243.7M over the next five years. Annex 4 shows projected CFR movement between years.

1.3.5	<p>Table 1: Balance Sheet Summary and Forecast</p> <table border="1"> <thead> <tr> <th></th> <th>31-Mar-23 Actual</th> <th>31-Mar-24 Forecast</th> <th>31-Mar-24 Forecast Movement in year</th> <th>31-Mar-25 Forecast</th> <th>31-Mar-26 Forecast</th> <th>31-Mar-27 Forecast</th> <th>31-Mar-28 Forecast</th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>1 General Fund CFR</td> <td>342.57</td> <td>350.62</td> <td>8.05</td> <td>355.88</td> <td>363.38</td> <td>384.59</td> <td>375.57</td> </tr> <tr> <td>2 Housing CFR</td> <td>174.88</td> <td>189.85</td> <td>14.97</td> <td>219.90</td> <td>255.90</td> <td>268.70</td> <td>280.64</td> </tr> <tr> <td>3 Total CFR</td> <td>517.45</td> <td>540.47</td> <td>23.02</td> <td>575.78</td> <td>619.28</td> <td>653.29</td> <td>656.21</td> </tr> <tr> <td>4 Less Other Debt Liabilities*</td> <td>(57.11)</td> <td>(53.45)</td> <td>3.66</td> <td>(49.12)</td> <td>(45.27)</td> <td>(41.69)</td> <td>(37.57)</td> </tr> <tr> <td>5 Loans CFR</td> <td>460.34</td> <td>487.02</td> <td>26.68</td> <td>526.66</td> <td>574.01</td> <td>611.60</td> <td>618.64</td> </tr> <tr> <td>6 Less External Borrowing**</td> <td>(303.20)</td> <td>(312.60)</td> <td>(9.40)</td> <td>(282.00)</td> <td>(271.40)</td> <td>(260.80)</td> <td>(250.20)</td> </tr> <tr> <td>7 Internal (over) Borrowing</td> <td>157.14</td> <td>174.42</td> <td>17.28</td> <td>244.66</td> <td>302.61</td> <td>350.80</td> <td>368.44</td> </tr> <tr> <td>8 Balance sheet Resources</td> <td>(157.14)</td> <td>(117.71)</td> <td>39.43</td> <td>(118.59)</td> <td>(119.96)</td> <td>(124.70)</td> <td>(124.70)</td> </tr> <tr> <td>9 New Borrowing or (Investments)</td> <td>0.00</td> <td>56.71</td> <td>56.71</td> <td>126.07</td> <td>182.65</td> <td>226.10</td> <td>243.74</td> </tr> </tbody> </table> <p>* finance leases, PFI liabilities and transferred debt which form part of the Council's total debt ** shows only loans to which the Council is committed and excludes optional refinancing</p>		31-Mar-23 Actual	31-Mar-24 Forecast	31-Mar-24 Forecast Movement in year	31-Mar-25 Forecast	31-Mar-26 Forecast	31-Mar-27 Forecast	31-Mar-28 Forecast		£M	£M	£M	£M	£M	£M	£M	1 General Fund CFR	342.57	350.62	8.05	355.88	363.38	384.59	375.57	2 Housing CFR	174.88	189.85	14.97	219.90	255.90	268.70	280.64	3 Total CFR	517.45	540.47	23.02	575.78	619.28	653.29	656.21	4 Less Other Debt Liabilities*	(57.11)	(53.45)	3.66	(49.12)	(45.27)	(41.69)	(37.57)	5 Loans CFR	460.34	487.02	26.68	526.66	574.01	611.60	618.64	6 Less External Borrowing**	(303.20)	(312.60)	(9.40)	(282.00)	(271.40)	(260.80)	(250.20)	7 Internal (over) Borrowing	157.14	174.42	17.28	244.66	302.61	350.80	368.44	8 Balance sheet Resources	(157.14)	(117.71)	39.43	(118.59)	(119.96)	(124.70)	(124.70)	9 New Borrowing or (Investments)	0.00	56.71	56.71	126.07	182.65	226.10	243.74
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1.3.6	<p>The rise in CFR is due to investment in the capital programme, summarised below are the major projects expected to be undertaken:</p> <ul style="list-style-type: none"> • School SEND Expansion Programme • Highways and Integrated Transport Programme • Outdoor Sports Centre • Restoring the City's Heritage assets • Improving Quality of Homes (HRA) • Energy Efficiency Investment in Homes (HRA) 																																																																																								
1.3.7	<p>CIPFA's <i>Prudential Code for Capital Finance in Local Authorities</i> recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25, as our committed borrowing (row 6) is significantly below our loans CFR (row 5).</p>																																																																																								
1.4	<p><u>Liability Benchmark</u></p>																																																																																								
1.4.1	<p>To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £20M at each year-end to maintain sufficient liquidity but to further minimise credit risk.</p>																																																																																								
1.4.2	<p>The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to</p>																																																																																								

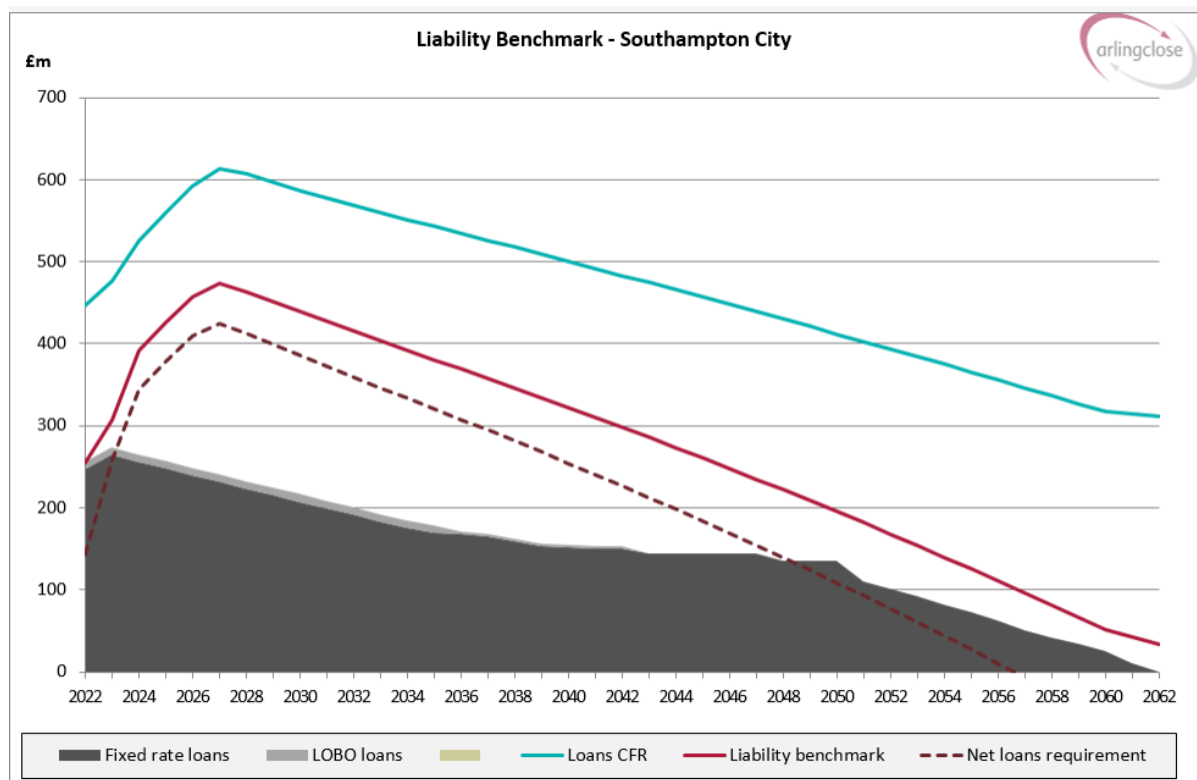
fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Liability benchmark

	31/03/2023	31/03/2024	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028
	Actual	Forecast	Forecast Movement	Forecast	Forecast	Forecast	Forecast
	£M	£M	£M	£M	£M	£M	£M
Loans CFR	460.34	487.02	26.68	526.66	574.01	611.60	618.64
Less Usable Reserves	(157.14)	(165.71)	(8.57)	(166.59)	(167.96)	(172.70)	(172.70)
Plus Minimum Investments		48.00	48.00	48.00	48.00	48.00	48.00
Liability Benchmark	303.20	369.31	66.11	408.07	454.05	486.90	493.94
Less Committed External Borrowing	(303.20)	(312.60)	(9.40)	(282.00)	(271.40)	(260.80)	(250.20)
Minimum Borrowing Need	0.00	56.71	56.71	126.07	182.65	226.10	243.74

1.4.3 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes minimum revenue provision based on the life of the asset and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority’s existing borrowing.

1.4.4



1.4.5 This demonstrates that even with lower investment balances that there is still an underlying need for the council to borrow during 2024/25 as our actual committed debt at £313M will be below the benchmark of £369M.

	SECTION 2 - BORROWING STRATEGY
2.0	<p>The Council currently holds £307M of loans, an increase of £4M since the 31 March 2023 which was taken to fund the capital programme and replace maturing debt, this reflects the Council's policy of only borrowing when cash flows dictate or unless a particular good opportunity arises or to protect itself against an expected material increase in PWLB rates. The balance sheet forecast in Table 1 above shows the total loans CFR is expected to increase by £27M in 2023/24 and by a further £40M in 2024/25 bringing our estimated loans CFR to £527M.</p> <p>Table 2 shows committed borrowing at the end of 2023/24 is £313M, an increase of £9M from the actual position on 31 March 2023, this net increase reflects maturities in year of £11M and new borrowing of £20M. If the forecast capital programme is achieved and reserves fall as predicted, then further borrowing of up to £126M will be required by 31 March 2025.</p>
2.1	<u>Objectives</u>
2.1.1	The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
2.2	<u>Strategy</u>
2.2.1	Given the significant cuts to public expenditure and, in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term instead.
2.2.2	By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
2.2.3	If it was cost effective the Council could also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.
2.2.4	Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

2.2.5	<p>Alongside, treasury advisors Arlingclose, the current debt pooling arrangements will be reviewed to ensure that both the General Fund (GF) and Housing Revenue Account (HRA) funds are still achieving best value.</p> <p>The concept of pooling loans was devised to deal with the HRA Subsidy Reform exercise that took place in March 2012. Before then all loans were consolidated, and the notional interest cost was split between the HRA and GF through the Item 8 Debit and Credit mechanism.</p> <p>Guidance was issued by CIPFA at the time of the transfer and the latest version of this Guidance is contained within the Treasury Management Code Guidance Notes 2018.</p> <p>The section on “Loan Rescheduling After Settlement Date” where it states that “it may at times be mutually beneficial to move existing loans from the HRA to the General Fund portfolio or vice versa, recognising an appropriate ‘internal’ premium or discount, has not been reviewed since the arrangement was implemented.</p>
2.3	<p><u>Sources of Borrowing</u></p>
2.3.1	<p>The approved sources of long-term and short-term borrowing are:</p> <ul style="list-style-type: none"> • HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board) • UK Infrastructure Bank Ltd • any institution approved for investments (see below) • any other bank or building society authorised to operate in the UK • any other UK public sector body • UK public and private sector pension funds (except HCC Pension Fund) • capital market bond investors • retail investors via a regulated peer-to-peer platform • UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
2.3.2	<p>In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:</p> <ul style="list-style-type: none"> • leasing • hire purchase • Private Finance Initiative • sale and leaseback • similar asset based finance
2.3.3	<p>The Council has previously raised most 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, to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.</p> <p>PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield (except for refinancing of existing debt; including internal financing) the Authority intends to avoid this activity, and therefore retain its access to PWLB. Regeneration aims for investment remain acceptable, but all capital plans will be scrutinised by Government and will require the S151 officer to state they contain no ‘invest for yield’ proposals relying on borrowing.</p>

2.3.4	<u>Lender's Option Borrower's Option Loans (LOBOs)</u>
2.3.5	The Council holds £4M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All these LOBOS have options during 2023/24 and one loan of £5M was called and repaid. With interest rates having risen recently, there is now a good chance that lenders will exercise their options for the remaining loans. The Council will take the option to repay LOBO loans at no cost if it can do so to reduce refinancing risk in later years.
2.4	<u>Short Term and Variable Rates</u>
2.4.1	Short term loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators. Financial derivatives may be used to manage this interest rate risk but in line with the CIPFA code, the Council would seek and consider external advice before entering into any agreement to ensure that it fully understands the implications.
2.5	<u>Debt Rescheduling</u>
2.5.1	The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.
SECTION 3 – TREASURY INVESTMENT STRATEGY	
3.0	The Council invests its money for three broad purposes: <ul style="list-style-type: none"> • it has surplus cash because of its day-to-day activities (known as treasury management investments), • to support local public services by lending to or buying shares in other organisations (service investments), and • to earn investment income (known as commercial investments where this is the main purpose).
3.1	<u>Objectives</u>
3.1.1	The CIPFA Code require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. Whilst a return is sought, the aim of Treasury activity is not primarily commercial in nature, it reflects addressing the cashflow needs of the council and the need for prudence and risk minimisation with public cash holdings. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power

	<p>of the sum invested, however it should be noted that a lower rate is an acceptable offset for higher credit and less risk, for example a covered bond.</p> <p>The Authority also aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.</p>																	
3.2	<u>Strategy</u>																	
3.2.1	<p>As we have an increasing borrowing requirement our overall treasury strategy is to minimise both external borrowing and investments and to only borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and to avoid the cost of carry existing in the current interest rate environment.</p> <p>For longer term investments the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2024/25.</p> <p>Most cash used for cash flow purposes is invested in money market funds, DMADF or with other Local Authorities.</p>																	
3.3	<u>ESG Policy</u>																	
3.3.1	<p>Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.</p>																	
3.4	<u>Business Model</u>																	
3.4.1	<p>Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.</p>																	
3.5	<u>Approved Counterparties</u>																	
3.5.1	<p>The Council may invest its surplus funds with any of the following counterparty types, subject to the cash limits (per counterparty) and time limits detailed below. This is the absolute limit, and the working limit will be monitored against actual cash flows and movement on reserves together with advice from our financial advisors and will be adjusted each quarter as necessary in agreement with the CFO.</p>																	
3.5.2	<p><u>Table 3: Approved Investment counterparties and Limits</u></p> <table border="1"> <thead> <tr> <th rowspan="2">Sector</th> <th colspan="2">Time limit</th> <th rowspan="2">Counterparty limit</th> <th rowspan="2">Sector limit</th> </tr> <tr> <th>Previous</th> <th>New (capped)</th> </tr> </thead> <tbody> <tr> <td>The UK Government</td> <td>50 years</td> <td>3 years</td> <td>Unlimited</td> <td>n/a</td> </tr> <tr> <td>Local authorities & other government entities</td> <td>25 years</td> <td>3 years</td> <td>£10M</td> <td>Unlimited</td> </tr> </tbody> </table>	Sector	Time limit		Counterparty limit	Sector limit	Previous	New (capped)	The UK Government	50 years	3 years	Unlimited	n/a	Local authorities & other government entities	25 years	3 years	£10M	Unlimited
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	Previous	New (capped)																
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Local authorities & other government entities	25 years	3 years	£10M	Unlimited														

	Secured investments *	5 years	3 years	£10M	Unlimited
	Banks (unsecured) *	13 months	13 months	£5M	Unlimited
	Building societies (unsecured) *	13 months	13 months	£5M	10%
	Registered providers (unsecured) *	5 years	3 years	£10M	25%
	Money market funds *	n/a	n/a	£10M per fund and no more than 0.50% of any investments fund in total for non-government funds	Unlimited
	Strategic pooled funds	n/a	n/a	£30M	50%
	Real estate investment trusts	n/a	n/a	£20M	25%
	Other investments *	5 years	3 years	£1M	5%

**This is the absolute limit, and the working limit will be monitored against actual cash flows and movement on reserves together with advice from our financial advisors and will be adjusted each quarter as necessary in agreement with the CFO.*

Given the Council's forecast need to borrow in 2024/25 the time limits have been updated to no longer than 3 years. Table 3 must be read in conjunction with the notes below.

3.6	<u>Investment Institutions</u>
3.6.1	<p>Minimum Credit Rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.</p> <p>For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £1M per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.</p>
3.6.2	<p>Banks and Building Societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.</p>
3.6.3	<p>Secured Investments: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The</p>

	combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
3.6.4	Government: Loans, bonds, and bills issued or guaranteed by national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
3.6.5	Corporates: Loans, bonds, and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £1M per company as part of a diversified pool to spread the risk widely.
3.6.6	Registered Providers (unsecured): Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
3.6.7	Money Market Funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over various providers to ensure access to cash.
3.6.8	Strategic Pooled Funds: Bond, equity, and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are monitored regularly. The Council has been invested in the CCLA Local Authorities' Property Fund (CCLA LAPF) since 2014 (with tranches of investments made until 2017). The Council's intention was to act as a long-term, patient investor, and seek a good level of income (particularly compared to cash prior to Bank Rate increasing during 2022 and 2023), while the capital value of the Fund fluctuates over time depending on the value of the underlying assets. In the period 2014-2024 Bank Rate, a proxy for cash investment, has averaged 0.97% whilst our annualised total return from the Fund has been 3.05%, with annualised income of 3.87%. Considering the Council's changing circumstances, external environment and possible changes to accounting treatment, the Council will actively consider opportunities to exit the investment, in an orderly manner, over time. Commercial property market values look to be at a relative low point and the Council, as a long-term investor, does not wish to sell at the bottom of a market cycle. Doing so would crystallise an overall capital loss on its investment, so disinvestment will not be undertaken immediately. It is felt that a sensible strategy will be to sell in tranches

	<p>(up to £5m per tranche) into a rising market and it is expected that there will be better exit opportunities in the medium-to-long term as the rates on which property prices are valued fall back and economic activity improves. Property fund valuations often perform more strongly when UK Gilt yields fall, and indeed the 10yr UK Gilt has fallen from a peak of 4.75% on 17/08/2023 to a current 3.9%.</p> <p>The Fund has a minimum redemption period of 6 months and property/Fund pricing performance is reported monthly and typically operates on a lag, meaning the final sale price is not known in advance. Exit opportunities therefore need to be considered in the wider context of general Fund, sector, market and economic movements and trends. The Council will therefore monitor changes in the Fund's value and consider selling when it has observed the Fund's net asset value has stabilised and showing improvement, UK government bond yields reflect a more stable and lower interest rate environment and UK economic growth is widely expected to improve, though event risk remains.</p>
3.6.9	<p>Real estate investment trusts: Shares in companies that invest mainly in real estate and pay most of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.</p>
3.6.10	<p>Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.</p>
3.6.11	<p>Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to a minimum. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.</p>
3.6.12	<p>Given the stresses placed on the council's budget, all forms of investment will be carefully monitored during the year. The Chief Financial Officer (CFO), under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported quarterly to Cabinet.</p>
3.7	<p><u>Risk Assessment and Credit Ratings</u></p>
3.7.1	<p>Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:</p> <ul style="list-style-type: none"> • no new investments will be made, • any existing investments that can be recalled or sold at no cost will be, and • full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

	Where a credit rating agency announces that a rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
3.8	<u>Other Information on the Security of Investments</u>
3.8.1	The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
3.9	<u>Reputational aspects</u>
3.9.1	The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.
3.9.2	When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested
3.10	<u>Investment Limits</u>
3.10.1	The Council’s revenue reserves and balances available to cover investment losses (excluding Schools, capital and HRA) are forecast to be £92M on 31st March 2023. In order that there is no immediate pressure on available reserves in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and specified investments under advice, such as property funds) will be £10M. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries, and industry sectors in Table 4 below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

3.10.2	<p><u>Table 4 –Investment Limits</u></p> <table border="1" data-bbox="229 264 1409 551"> <thead> <tr> <th data-bbox="229 264 1018 331"></th> <th data-bbox="1018 264 1409 331">Cash limit</th> </tr> </thead> <tbody> <tr> <td data-bbox="229 331 1018 450">Any group of pooled funds under the same management</td> <td data-bbox="1018 331 1409 450">25% per manager unless under specific advice as taken with CCLA</td> </tr> <tr> <td data-bbox="229 450 1018 501">Negotiable instruments held in broker’s nominee account</td> <td data-bbox="1018 450 1409 501">£50M per broker</td> </tr> <tr> <td data-bbox="229 501 1018 551">Foreign countries</td> <td data-bbox="1018 501 1409 551">£10M per country</td> </tr> </tbody> </table>		Cash limit	Any group of pooled funds under the same management	25% per manager unless under specific advice as taken with CCLA	Negotiable instruments held in broker’s nominee account	£50M per broker	Foreign countries	£10M per country
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Any group of pooled funds under the same management	25% per manager unless under specific advice as taken with CCLA								
Negotiable instruments held in broker’s nominee account	£50M per broker								
Foreign countries	£10M per country								
3.11	<u>Liquidity Management</u>								
3.11.1	<p>The Council undertakes high level cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.</p> <p>The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.</p>								
SECTION 4 - TREASURY MANAGEMENT PRUDENTIAL INDICATORS									
4.0	The Council measures and manages its exposure to treasury management risks using the following indicators.								
4.1	<u>Background</u>								
4.1.1	The Authority typically receives its income (e.g. from taxes and grants) before it pays for its expenditure (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.								
4.1.2	During the financial year the Council’s investment balances have ranged between £46M and £95M and are currently £52M. Borrowing has ranged between £295M and £313M and is currently £307M.								
4.2	<u>Security</u>								
4.2.1	<p>The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The average rating of our current portfolio is A+ which is above the target.</p> <table border="1" data-bbox="212 1854 1187 1962"> <thead> <tr> <th data-bbox="212 1854 960 1910"></th> <th data-bbox="960 1854 1187 1910">Target</th> </tr> </thead> <tbody> <tr> <td data-bbox="212 1910 960 1962">Portfolio average credit rating</td> <td data-bbox="960 1910 1187 1962">A</td> </tr> </tbody> </table>		Target	Portfolio average credit rating	A				
	Target								
Portfolio average credit rating	A								

4.3	<u>Liquidity</u>						
4.3.1	The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments and has set a £20M minimum threshold on cash available in instant access accounts, if balances were to fall below this limit, we would consider taking short term loans which are available without given prior notice and at competitive rates.						
4.4	<u>Interest Rate Exposure</u>						
4.4.1	This indicator is set to control the Council's exposure to interest rate risk. The upper limits are based on the one-year revenue impact of a 1% rise or fall in interest rates for existing variable rates on long term loans and assumed short term borrowing, offset by variable investments. The cost of an extra 1% per £1M is £10,000. We do not currently have any variable rate borrowing and any increase in short-term borrowing rates should be offset by an increase in short term investment income.						
4.4.2	<p>The liability benchmark (Table 2) has identified our borrowing need as, up to £242M by 2027/28 which could equate to an additional £10M in borrowing costs over 2022/23 actual.</p> <p>Outstanding borrowing for current year plus borrowing need for 2024/25 has been used to set indicator below (£65M+£69M).</p> <p>The limits are set at:</p> <table border="1"> <thead> <tr> <th>Interest rate risk indicator</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Upper limit on one-year revenue impact of a 1% rise in interest rates</td> <td>1.5</td> </tr> <tr> <td>Upper limit on one-year revenue impact of a 1% fall in interest rates</td> <td>0.5</td> </tr> </tbody> </table>	Interest rate risk indicator	£M	Upper limit on one-year revenue impact of a 1% rise in interest rates	1.5	Upper limit on one-year revenue impact of a 1% fall in interest rates	0.5
Interest rate risk indicator	£M						
Upper limit on one-year revenue impact of a 1% rise in interest rates	1.5						
Upper limit on one-year revenue impact of a 1% fall in interest rates	0.5						
4.4.3	The main risk to the authority comes through the continued use of internal borrowing in place of fixed term long term debt. A 1% increase over the forecast rate would equate to £10,000 for each £1M borrowed, plus a possible ongoing impact on an increase in the long-term rate.						
4.4.4	The Authority has more exposure to an increase in interest rates than a reduction as our debt portfolio is higher than our investments. A fall in interest rates of 1% would see investment income fall by about £0.47M but this would be offset by reduction in debt charges.						
4.5	<u>Maturity Structure of Borrowing</u>						
4.5.1	This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing as set below in Table 5.						

4.5.2	<p>Table 5 – Refinancing rate risk indicator</p> <table border="1" data-bbox="395 226 1241 640"> <thead> <tr> <th>Period</th> <th>Lower Limit %</th> <th>Upper Limit %</th> </tr> </thead> <tbody> <tr> <td>Under 12 Months</td> <td>0</td> <td>50</td> </tr> <tr> <td>12 months and within 24 months</td> <td>0</td> <td>50</td> </tr> <tr> <td>24 months and within 5 years</td> <td>0</td> <td>50</td> </tr> <tr> <td>5 years and within 10 years</td> <td>0</td> <td>55</td> </tr> <tr> <td>10 years and within 20 years</td> <td>0</td> <td>60</td> </tr> <tr> <td>20 years and within 30 years</td> <td>0</td> <td>65</td> </tr> <tr> <td>30 years and above</td> <td>0</td> <td>75</td> </tr> </tbody> </table> <p>CIPFA have recently recommended that the centre of the range is consistent with the liability benchmark. As shown in Table 5a the Council has complied with the indicator but will consider this recommendation when taking new debt.</p>	Period	Lower Limit %	Upper Limit %	Under 12 Months	0	50	12 months and within 24 months	0	50	24 months and within 5 years	0	50	5 years and within 10 years	0	55	10 years and within 20 years	0	60	20 years and within 30 years	0	65	30 years and above	0	75																																													
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4.5.3	<p>Time periods start on the first day of each financial year and the maturity date of borrowing is the earliest date on which the lender can demand repayment. Although all LOBOs are now in their call options, they are not expected to be called soon so are shown as uncertain, but as they only represent 3% of the total debt portfolio an early call would not pose a material risk in refinancing.</p>																																																																					
4.5.4	<p>Details of our current level of debt and maturity is shown in Table 5a below. This shows that all debt is within existing levels.</p>																																																																					
4.5.5	<p>Table 5a – Current Debt</p> <table border="1" data-bbox="215 1189 1406 1742"> <thead> <tr> <th>Analysis of Loans by Maturity</th> <th>Lower Limit</th> <th>Upper Limit</th> <th>Compliance with Limit</th> <th>Outstanding 31/12/2023</th> <th>% of Debt</th> </tr> </thead> <tbody> <tr> <td>Less than 1 Year</td> <td></td> <td>0</td> <td>50</td> <td>Yes</td> <td>7.12</td> <td>2</td> </tr> <tr> <td>Between 1 and 2 years</td> <td></td> <td>0</td> <td>50</td> <td>Yes</td> <td>13.12</td> <td>5</td> </tr> <tr> <td>Between 2 and 5 years</td> <td></td> <td>0</td> <td>50</td> <td>Yes</td> <td>30.35</td> <td>11</td> </tr> <tr> <td>Between 5 and 10 years</td> <td></td> <td>0</td> <td>55</td> <td>Yes</td> <td>50.58</td> <td>18</td> </tr> <tr> <td>Between 10 and 20 years</td> <td></td> <td>0</td> <td>60</td> <td>Yes</td> <td>32.37</td> <td>11</td> </tr> <tr> <td>Between 20 and 40 years</td> <td></td> <td>0</td> <td>60</td> <td>Yes</td> <td>149.85</td> <td>52</td> </tr> <tr> <td>Over 40</td> <td></td> <td>0</td> <td>75</td> <td>Yes</td> <td>0.00</td> <td>0</td> </tr> <tr> <td>Uncertain Date**</td> <td></td> <td>0</td> <td>5</td> <td>Yes</td> <td>4.00</td> <td>1</td> </tr> <tr> <td colspan="4"></td> <td></td> <td>287.39</td> <td>100</td> </tr> </tbody> </table>	Analysis of Loans by Maturity	Lower Limit	Upper Limit	Compliance with Limit	Outstanding 31/12/2023	% of Debt	Less than 1 Year		0	50	Yes	7.12	2	Between 1 and 2 years		0	50	Yes	13.12	5	Between 2 and 5 years		0	50	Yes	30.35	11	Between 5 and 10 years		0	55	Yes	50.58	18	Between 10 and 20 years		0	60	Yes	32.37	11	Between 20 and 40 years		0	60	Yes	149.85	52	Over 40		0	75	Yes	0.00	0	Uncertain Date**		0	5	Yes	4.00	1						287.39	100
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4.6	<p><u>Long-term treasury management investments</u></p>																																																																					
4.6.1	<p>The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury investments are shown below.</p>																																																																					

4.6.2		Current £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	
	Limit on principal invested beyond year end	30	30	30	30	30	
4.6.3	Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.						
	SECTION 5 - RELATED MATTERS						
5.0	There are several related matters that the CIPFA Code requires the Council to include in its Treasury Management Strategy.						
5.1	<u>Monitoring, Reporting and Financial Implications</u>						
5.1.1	<p>The Chief Financial Officer will report to the Governance Committee on TM activity / performance as follows:</p> <ul style="list-style-type: none"> (a) Quarterly reporting of key prudential indicators as part of Budget Report monitoring. (b) A mid-year review against the strategy approved for the year (c) An outturn report on its treasury activity, no later than 30 September after the financial year end. 						
5.1.2	In addition, a quarterly update will be presented to Cabinet as part of Quarterly Revenue Financial Monitoring.						
5.1.3	Investment income for 2024/25 is forecast at £2.11M based on an average portfolio of £48M at an average of 4.40%.						
5.1.4	<p>The forecast for borrowing costs in 2024/25 is £25.19M, of which £7.20M relates to the HRA. This is made up of interest on borrowing of £15.11M (based on an average debt portfolio of £385.90M at an average interest rate of 3.51% plus MRP and other costs of £10.08M. This is expected to rise to £33.05M (£10.49M HRA) by 2027/28 to accommodate the capital programme, utilisation of reserves and refinancing of borrowing. However, this will be subject to movement as the need for further borrowing becomes more certain.</p> <p>New long-term loans taken over the period of the strategy will be borrowed at an average rate of 4.95%. based on our advisors' forecast rates.</p>						
5.2	<u>Policy on Use of Financial Derivatives</u>						
5.2.1	Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).						
5.2.2	The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.						

	Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
5.2.3	Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
5.2.4	In line with the CIPFA code, the Council would seek and consider external advice before entering into any agreement to ensure that it fully understands the implications.
5.3	<u>Markets in Financial Instruments Directive</u>
5.3.1	The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.
5.4	<u>Housing Revenue Account Self-Financing and Limit on Indebtedness</u>
5.4.1	On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Since then, new long-term loans borrowed are assigned to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account.
5.4.2	Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance. This balance will be measured, and interest transferred between the General Fund and HRA at an agreed rate. Housing Legislation does not allow impairment losses to be charged to the HRA and consequently any credit related losses on the Council's investments will be borne by the General Fund alone. It is therefore appropriate that the General Fund is compensated for bearing this risk, and all interest transferred to the HRA should be adjusted downwards. The rate will be based on 6-month Gilt Rate. The rate of return on comparable investments with the government is lower and often referred to as the risk-free rate.
5.4.3	Following the Chancellor's announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous HRA debt cap of £199.6m has been removed, and there is now the emphasis for councils to plan their new build strategy and financing at a local level. The process for identifying priorities and sites for new build developments is now taking place and is expected to form the basis of a new delivery strategy incorporating affordability and prudence. As part of the new build strategy relevant Prudential Indicators will be agreed.

5.4.4	The HRA Business Plan supports several council strategies, including the Medium-Term Financial Strategy, to ensure plans are affordable and budgets are aligned to the assumptions detailed in those strategies. The specific HRA Business Plan can be seen in the report being submitted to Council on 22 February 2023.		
5.4.5	The HRA by default will underwrite any programmes that are unable to self-fund		
5.5	OTHER OPTIONS CONSIDERED		
5.5.1	The MHCLG Guidance and the CIPFA Code do not prescribe a treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted with relevant officers and members believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.		
5.5.2	<p style="text-align: center;">Options</p>	<p style="text-align: center;">Impact on income and expenditure</p>	<p style="text-align: center;">Impact on risk management</p>
	Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
	Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
	Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
	Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs will be less certain
	Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1. In accordance with CIPFA's Code of Practice for Treasury Management in the Public Services the Council has regard to the key recommendations when determining the current strategy.

1.2. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

- A treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Governance Committee and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.4. Governance Committee will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.5. The Council nominates Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1. The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury

management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- 2.4. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5. The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

ECONOMIC AND INTEREST OUTLOOK

The economic background and interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd is detailed below. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

Economic Background

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit outlook

Credit default swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (February 2024)

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by late 2025.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.40%, and that new long-term loans will be borrowed at an average rate of 4.95%.

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for February 2024 is detailed below and is based on the following Underlying Assumptions:

Underlying assumptions:

- key UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.

- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

	Current	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Central Case	5.25	5.25	5.25	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
Central Case	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.15	3.10	3.10
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.75	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.96	3.75	3.70	3.65	3.60	3.50	3.40	3.30	3.30	3.30	3.30	3.35	3.40
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.00
Central Case	3.97	3.80	3.80	3.80	3.75	3.70	3.65	3.65	3.65	3.65	3.65	3.70	3.75
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.50	4.40	4.30	4.25	4.25	4.20	4.20	4.20	4.20	4.20	4.20	4.25	4.25
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.19	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95	3.95
Downside risk	0.00	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

Forecast:

- The MPC held Bank Rate at 5.25% in February.

- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by late 2025.
- The Risks around Bank Rate are initially balanced before shifting to the downside due to on-going soft UK economic activity and the resulting dampening effects on inflation. Upside risks to inflation remain but the likelihood of further rises in Bank Rate are low.
- Long-term gilt yields have moved higher since the start of the year, largely due to stronger US data. Arlingclose's central case is for yields to be volatile around a relatively narrow range,

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Appendix 7

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION AND PROJECTIONS

	31-Mar-23 Actual £M	31-Mar-23 Average Yield / Rate %	31-Dec-23 Actual £M	31-Dec-23 Average Yield / Rate %	31-Mar-24 Forecast £M	31-Mar-24 Forecast Average %
Long Term Borrowing						
Public Works Loan	289.19	3.52	283.39	3.45	343.30	3.01
LOBO Loans from Banks	9.00	4.86	4.00	4.86	4.00	4.85
	298.19	3.63	287.39	3.56	347.30	3.05
Short Term Borrowing						
Other Local Authorities	5.00	3.36	20.00	5.79	20.00	5.79
Total External Borrowing	303.19	2.96	307.39	2.96	367.30	3.15
Other Long Term Liabilities						
PFI Schemes	44.37	9.56	43.55	9.56	41.08	9.82
Deferred Debt Charges (HCC)	12.73	3.27	12.73	3.27	12.37	4.98
Total Gross External Debt	360.29	4.08	363.67	4.08	420.75	3.99
Investments:						
<i>Managed In-House</i>						
Government & Local Authority	(11.06)	4.05	0.00	0.00		
Cash (Instant access)	(15.49)	4.08	(23.75)	5.32	(20.00)	5.40
Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Bonds	(1.01)	5.27	(1.03)	5.27	(1.00)	5.27
<i>Managed Externally</i>						
Pooled Funds (CCLA) & Shares	(27.00)	4.04	(27.00)	4.56	(27.00)	3.00
Total Investments	(54.56)	4.08	(51.78)	4.59	(48.00)	4.05
Net Debt	305.73		311.89		372.75	

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PROJECTED MOVEMENT ON CAPITAL FINANCING REQUIREMENT

Capital Financing Requirement	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28
	Actual £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M
Balance Brought forward	339.15	342.57	350.62	355.88	363.38	384.59
New Borrowing	14.53	20.40	19.13	21.69	34.97	6.41
MRP	(7.61)	(8.69)	(9.53)	(10.34)	(10.19)	(11.31)
Movement in Other Liabilities	(3.50)	(3.66)	(4.34)	(3.85)	(3.57)	(4.12)
Total General Fund Debt	342.57	350.62	355.88	363.38	384.59	375.57
HRA	174.88	189.85	219.90	255.89	268.69	280.63
Total CFR	517.45	540.47	575.78	619.27	653.28	656.20
Estimated Debt	360.29	420.75	457.12	499.25	520.14	521.22
Under / (Over) Borrowed	157.16	119.72	118.66	120.02	133.14	134.98

Capital Financing Requirement	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28
	Actual £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M	Forecast £M
Balance Brought forward	339.15	342.57	350.62	355.88	363.38	384.59
New Capital Borrowing	14.53	20.40	19.13	21.69	34.97	6.41
MRP	(7.61)	(8.69)	(9.53)	(10.34)	(10.19)	(11.31)
Movement in Other Liabilities	(3.50)	(3.66)	(4.34)	(3.85)	(3.57)	(4.12)
Total General Fund Debt	342.57	350.62	355.88	363.38	384.59	375.57
HRA	174.88	189.85	219.90	255.89	268.69	280.63
Total CFR	517.45	540.47	575.78	619.27	653.28	656.20
Less Other Debt Liabilities*	(57.11)	(53.45)	(49.12)	(45.27)	(41.69)	(37.57)
Loans CFR	460.34	487.02	526.66	574.00	611.59	618.63

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Appendix 9

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2024/25	
	<u>BACKGROUND</u>
1.	<p>Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations.</p> <p>The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.</p>
2.	<p>In the Spending Review 2015, the Chancellor of the Exchequer announced the Government would allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects, to support local authorities to deliver more efficient and sustainable services.</p>
3.	<p>The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, up until 2018/19. Allowing local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016. Qualifying expenditure was defined as:</p> <p><i>“Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”</i></p>
4.	<p>This was extended in 2018/19 as part of the Local Government Finance Settlement for a further three years until 2021/22.</p> <p>Then, in the 2022/23 Provisional Local Government Finance Settlement it was announced <i>“a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery”</i>.</p> <p>On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension to 2024/25 and published Guidance and a Direction.</p>
5.	<p>It should be noted that the Secretary of State announced on 18 December 2023 consultation on further flexibilities for capital receipts including:</p> <ul style="list-style-type: none"> • Capitalising general cost pressures, • Extending flexible use of capital receipts to allow councils to borrow for revenue costs, • New flexibilities for the use of proceeds of selling investment assets used for rent or capital appreciation only. <p>Once the outcome of this consultation is known, it is likely this strategy will need to be revised.</p>

6.	To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with future Strategies included within future Annual Budget documents.				
7.	The Council produced its first strategy for 2022/23.. The 2023/24 Strategy was revised in December 2023 to reflect the on-going transformation at the council. It is proposed that in 2024/25 there will be significant investment in transformational activity in order to support a sustainable council within the budget constraints.				
	PROPOSED INVESTMENTS				
8.	The Council will use the powers under the Government's Statutory Guidance on the flexible use of capital receipts, to fund up to £3.00M qualifying transformation expenditure on the projects summarised in Table 1 below. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings, requiring other existing resources.				
9.	Table 1 – Projects to be Funded from Flexible Use of Capital Receipts				
	Project	Description	Planned Use of Capital Receipts (£M)		Expected Savings
			2023 /24	2024 /25	
	Automation	Investment across the Council's processes to enable automation and improved efficiency	0.55		Efficiencies and savings through improved processes, automation and enabling more tasks to be undertaken via self-service. <i>(Savings TBC)</i>
	Fees & Charges Review	Assessing income streams across the council to ensure they are appropriate and review process for income collection.	0.10		Potential increase in charges, leading to higher income. Efficiencies in associated processes, providing better customer experience and potentially reducing resources. <i>(As an illustrative example of savings, 1% on discretionary fees and charges would yield around £0.3M pa)</i>
	Asset Development and Disposal Programme	Review of council owned assets*	0.54	2.30	A programme to develop and implement the proposals to retain, dispose and develop the Council's Assets to maximise the utilisation and benefit to the authority.
	SCC Transformation **	Enabling Excellence	0.45	4.60	To support the achievement of the organisational vision, goals and corporate plan that implement a revised operating model, service design and process reviews to drive efficiencies and better meet customer need.
		Ambitious Futures	0.44		To promote independence, preventative mindset and improve the way we work with people accessing our services including carers and providers. <i>(Estimated Saving Range £3M to £5M pa)</i>

		Strategic transformation capacity	0.09		Senior staff and support
		People related projects	0.07		HR review policies and procedures
	Service Centre, including CM-Pro Upgrade	To deliver an upgraded and modern customer relationship management (CRM) solution.	0.55	0.10	Support efficiencies in the new Service Centre model.
	TOTAL		2.79	7.00	Potential savings range - so far - (£3.6M to £5.8M), with work to confirm potential in some areas
	<p>* Costs directly attributable to the sale of assets can be charged against the sale proceeds up to 4%, which can and will occur irrespective of this strategy.</p> <p>** The organisation transformation plan for 2024/25 is still being finalised and this high-level costing will need to be refined in the future to reflect the individual projects, once known.</p> <p>NB The table shows preliminary estimates, where known of the potential for savings, more detailed worked is needed in some of the areas specified. Not all projects will result in a direct budget saving but will provide efficiencies in service delivery, allowing resources to be better utilised.</p>				
10.	<p>In future years, the Council's flexible use of capital receipts to fund projects will continue to be subject to development of robust business cases. The business cases will be required to demonstrate that:</p> <ul style="list-style-type: none"> • the initiative will transform service delivery, • generate on-going future savings or reduce future costs, and • the costs being funded are implementation or set up costs and not ongoing operational costs. 				
11.	<p>Projects identified in the Strategy can still be financed in whole or in part from other sources, e.g. revenue budgets. Having approved the Strategy, the Council is not obliged to fund these projects from capital receipts. Inclusion in the strategy does not constitute a commitment to fund through capital receipts as this decision needs to be taken in the light of the Council's overall revenue and capital financing requirements.</p> <p>For 2023/24, the actual financing will be approved as part of the Council's Capital Programme outturn and financing for the year.</p>				
12.	<p>This strategy is based on prudent assumptions of future capital receipts and current available receipts which have not been budgeted to fund the capital programme.</p>				
13.	<p><u>HISTORIC USE OF CAPITAL RECEIPT FLEXIBILITY UP 2022/23</u></p>				
14.	<p>Since the flexibility was introduced, the council has applied £0.312 million of capital receipts for transformation.</p>				

	Project	Description	2022/23 Spend £M
	Organisation Restructure	A more focused and streamlined Executive Management Team (EMT), to prioritise strategic development and long-term planning, performance, and delivery of strategy.	0.098
	SCC Transformation	A review of the SCC operating model.	0.214
			0.312
<u>IMPACT ON PRUDENTIAL INDICATORS</u>			
15.	The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators		
16.	The capital receipts proposed to be used as part of this strategy are already built into the Council's current capital programme for this purpose and therefore have not been factored into the Council's Capital Financing Requirement (CFR) so the utilisation of these receipts for capital receipts flexibility will have no impact on the Council's prudential indicators, as set out in the Council's Capital Strategy.		
17.	The prudential indicators show that this strategy is affordable and will not affect the Council's operational boundary and authorised borrowing limit, given the low values.		

ASSET DEVELOPMENT DISPOSAL PROGRAMME (ADDP)	
1.	<p>The Asset Development & Disposal Programme (ADDP) was initiated in 2023/24 with the vision to drive Southampton's growth through the retention, development, or disposal of SCC's corporate, operational and investment portfolio. It is a capital transformation programme, with capital receipts secured from the disposal of assets funding future transformation activity across the council, including ADDP resources.</p> <p>Along with the securing of capital receipts, ADDP is seeking to achieve wider financial benefits through development and disposal activity. This includes achieving additional council tax revenue and business rates, as well as other revenue savings through reductions in utilities and maintenance costs.</p> <p>One of the early activities within the ADD programme is reviewing corporate and operational assets to assess whether they should be retained, disposed, or redeveloped in the future.</p>
2.	<p><u>Project Outcomes</u></p> <p>The project outcomes are expected to be:</p> <ol style="list-style-type: none"> 1. Ensure all asset management data is up to date and robust to enable effective and informed decisions on the future of council assets 2. Carry out review of SCC's corporate and operational portfolio, to identify suitability of the building for the service and collect Asset Management Information on the property 3. Recommendations on assets to be retained, developed, or disposed, and if any investment is required 4. Update Service Asset Management Strategies for each service area 5. Where recommendation is disposal, identify appropriate route for disposal and agree disposal timelines 6. Identify the disposal of sites through the Affordable Housing Framework and commission resource to be able to upscale the sourcing of sites and disposals 7. Identify optimal return on development of assets and regeneration opportunities. 8. Identification of new sites for regeneration including housing, affordable housing, and commercial development 9. Implement development of asset through relevant development routes (over 3-5 years).

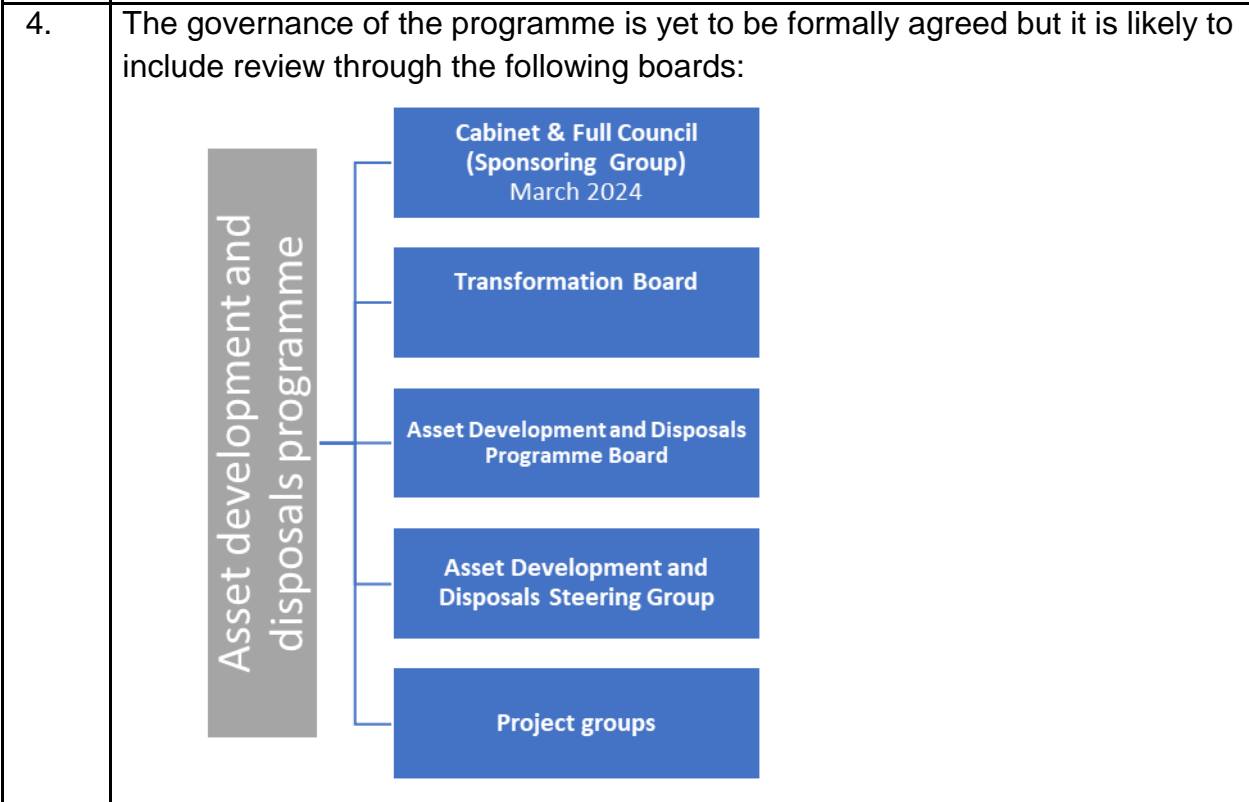
3. Financial Methodology

The financial methodology has been developed to enable a net present value (NPV) analysis of future income and the residual value of the asset compared to the savings on borrowing. This analysis uses a discount factor to present the future cash flows as a value as today. This can help to determine whether the financial benefit of disposing of the asset is maintained over the long term.

The model includes the net position of the income received over a 25-year period plus the residual value of the asset, less potential savings on borrowing costs, along with any capital refurbishment costs if they are expected to be required to the building within the period. Investment properties are generally let on a full repairing lease basis, so most repairs and maintenance costs are expected to be funded by the leaseholder.

A positive figure means that it is more beneficial to hold the asset and retain the income. A negative figure would indicate it would be better to dispose of the asset and utilise the capital receipt to off-set borrowing costs.

The NPV analysis discounts future cash flows to the present value based on the premise that the value of the future cash flows decrease over time due to the time value of money. The discount rate used is based on the cost of borrowing of £80K per £1M which works out at around 6.2%.



DRAFT - GENERAL FUND PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

Portfolio	Scheme	£M	*Council/Cabinet **Delegated Approval	Funding Source	Report Paragrapg Ref
<u>Additions to the Programme</u>					
Children & Learning	St George's Expansion	1.00	^	Government Grant	29
	Early Years & Childcare Capital Expansion Programme	0.41	^	Government Grant	30
	Moorlands Primary School - Roofing	0.18	^	Government Grant	31
	Bassett Green Primary School - Roofing	0.29	^	Government Grant	31
	Foundry Lane Primary School - Roofing & Windows	0.47	^	Government Grant	31
	Valentine School Primary - Pipework replacement, Windows, Toilets	0.39	^	Government Grant	31
	Regents Park Expansion & Flooring	0.15	^	Government Grant	31
	Fairisle Junior School - Roofing, Windows & Pipework	0.38	^	Government Grant	31
	Mount Pleasant - Roof & Structural Repairs	0.42	^	Government Grant	31
	Schools Condition Works	0.70	^	Government Grant	31
		<u>4.40</u>			
	Corporate Service	Client Case Management System	5.00	^	Council Resources
IT Investment		7.14	^	Council Resources	35
CM-Pro System Upgrade		0.21	**	Capital Receipts	
	<u>12.35</u>				
Place	Northam Rail Bridge	2.92	^	Government Grant	39
	Outdoor Sports Centre	0.06	^	Government Grant	37
	Essential Highways Minor Works	0.11	^	Government Grant / DRF	38
	Drainage	0.65	^	Government Grant / DRF	38
	Weston Shore Play Area	0.09	^	S106 Contributions	40
	St Mary's Leisure Centre	2.00	^	Council Resources	41
	<u>5.83</u>				
Strategy & Performance	Transformation Programme	<u>6.00</u>	^	Capital Receipts	43
Wellbeing & Housing	Affordable Homes	0.79	^	S106 Contributions	45
	Warm Homes	1.65	^	Government Grant / S106 Contributions / Capital Receipts	46
	Telecare Equipment	0.28	^	Council Resources	47
	<u>2.72</u>				
Total Additions to the GF Programme		<u>31.30</u>			
<u>Reductions to the Programme</u>					
Place	Carriageways	(1.01)	^^	Council Resources	38
	Footways	(0.51)	^^	Council Resources	38
	S106 Youth Provision	(0.09)	^^	S106 Contributions	40
	<u>(1.61)</u>				
Wellbeing & Housing	Holcroft House Works	<u>(0.57)</u>	^^	Council Resources	48
Total Reductions to the GF Programme		<u>(2.18)</u>			
Total Variations to the GF Programme		<u>29.12</u>			
		£M			
** - Approved under Delegated Powers		0.21			
To be Approved	Addition & Spend	31.09			
	Reduction	(2.18)			
Total Variations to the Overall Programme		<u>29.12</u>			

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DRAFT

Children & Learning

Scheme No.	Project Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£M	£M	£M	£M	£M	£M	£M
CC0014	St Denys	0.004	0.000	0.000	0.000	0.000	0.000	0.004
CC0020	Schools Condition Works	2.015	3.297	0.059	0.000	0.000	0.000	5.371
CC0021	Early Years Expansion Programme	0.249	0.273	0.000	0.000	0.000	0.000	0.522
CC0023	St Mark's School	0.594	0.400	0.000	0.000	0.000	0.000	0.994
CC0035	Regents Park School - Roof	0.010	0.050	0.000	0.000	0.000	0.000	0.060
CC0037	St George's Expansion	0.313	2.711	0.000	0.000	0.000	0.000	3.024
CC0039	Chamberlayne Refurbishment	1.887	0.000	0.000	0.000	0.000	0.000	1.887
CC0047	Mount Pleasant Junior Health & Safety	0.006	0.000	0.000	0.000	0.000	0.000	0.006
CC0048	Newlands Resource Base	1.417	0.060	0.000	0.000	0.000	0.000	1.477
CC0049	SEND Review	1.505	4.710	8.780	25.820	0.711	0.000	41.526
CC0050	Childrens Services- Residential Unit	0.828	0.513	0.000	0.000	0.000	0.000	1.341
CC0051	Childrens Services- Assessment Unit	0.075	0.825	0.000	0.000	0.000	0.000	0.900
CC0052	Maytree School Playground	0.030	0.020	0.000	0.000	0.000	0.000	0.050
CC0053	Family Hubs	0.090	0.051	0.000	0.000	0.000	0.000	0.141
CC0055	Modular relocation & purchase from Springwell to Vermont	0.008	0.000	0.000	0.000	0.000	0.000	0.008
CC0058	St Marks ICT Equipment	0.027	0.055	0.000	0.000	0.000	0.000	0.082
CC0060	Young Peoples Hub	0.003	0.000	0.000	0.000	0.000	0.000	0.003
CC0061	SEND - Additional Units	0.250	0.000	0.000	0.000	0.000	0.000	0.250
CC0062	Townhill Junior	0.100	0.800	0.250	0.340	0.000	0.000	1.490
CC0063	Fire Safety Works Mason Moor Primary	0.243	0.000	0.000	0.000	0.000	0.000	0.243
CC0064	St Georges Catholic College	0.150	0.000	0.000	0.000	0.000	0.000	0.150
CC0065	St Marys Primary School	0.010	0.100	0.000	0.000	0.000	0.000	0.110
CC0066	St Marks - Wall	0.000	0.100	0.000	0.000	0.000	0.000	0.100
CC0067	Oakwood Primary School	0.020	0.144	0.000	0.000	0.000	0.000	0.164
CC0068	Redbridge Primary School	0.000	0.145	0.000	0.000	0.000	0.000	0.145
CC0069	Fairisle Infants - Pipework	0.018	0.400	0.000	0.000	0.000	0.000	0.418
CC0070	Regents Park School - Flooring	0.020	0.119	0.000	0.000	0.000	0.000	0.139
CC0071	New Children's Residential Home	0.000	1.800	0.598	0.000	0.000	0.000	2.398
CC0072	New Children's Residential Home	0.005	0.145	0.000	0.000	0.000	0.000	0.150
CC0073	Moorlands Primary School	0.000	0.175	0.000	0.000	0.000	0.000	0.175
CC0074	Bassett Green Primary School	0.000	0.294	0.000	0.000	0.000	0.000	0.294
CC0075	Foundry Lane Primary School	0.000	0.469	0.000	0.000	0.000	0.000	0.469
CC0076	Valentine School Primary (including early years)	0.000	0.392	0.000	0.000	0.000	0.000	0.392
CC0077	Fairisle Jr School	0.000	0.221	0.000	0.000	0.000	0.000	0.221
CC0078	Early Years & Childcare Capital Expansion Programme	0.000	0.200	0.150	0.063	0.000	0.000	0.413
		9.877	18.469	9.837	26.223	0.711	0.000	65.117

Sources of Finance

Council Resources	0.836	2.718	4.766	25.820	0.711	0.000	34.851
Grant	9.041	15.751	5.071	0.403	0.000	0.000	30.266
Total Programme	9.877	18.469	9.837	26.223	0.711	0.000	65.117

Corporate Service

Scheme No.	Project Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£M	£M	£M	£M	£M	£M	£M
CA0012	CareDirector	1.563	0.000	0.000	0.000	0.000	0.000	1.563
CG0158	Civic Centre Upgrade	0.024	0.000	0.000	0.000	0.000	0.000	0.024
CG0211	IT Equipment and Software Refresh	1.156	1.500	3.500	2.000	1.500	0.000	9.656
CI0003	CM-Pro Upgrade	0.107	0.103	0.000	0.000	0.000	0.000	0.210
CI0004	Client Case Management System	0.000	2.000	1.500	1.500	0.000	0.000	5.000
CI0040	Contact Centre Telephony	0.040	0.000	0.000	0.000	0.000	0.000	0.040
		2.890	3.603	5.000	3.500	1.500	0.000	16.493

Sources of Finance

Council Resources	2.783	3.500	5.000	3.500	1.500	0.000	16.283
Capital Receipts	0.107	0.103	0.000	0.000	0.000	0.000	0.210
Total Programme	2.890	3.603	5.000	3.500	1.500	0.000	16.493

Place

Scheme No.	Project Description	Budget 2023/24 £M	Budget 2024/25 £M	Budget 2025/26 £M	Budget 2026/27 £M	Budget 2027/28 £M	Budget 2028/29 £M	Total £M
CG0004	QE2 Mile - Bargate Square	0.027	0.000	0.000	0.000	0.000	0.000	0.027
CG0006	Cycling	0.807	1.198	0.000	0.000	0.000	0.000	2.005
CG0008	Public Transport	0.320	0.817	0.000	0.000	0.000	0.000	1.137
CG0009	Improved Safety	1.384	0.150	0.000	0.000	0.000	0.000	1.534
CG0010	Travel to School	0.719	0.205	0.000	0.000	0.000	0.000	0.924
CG0013	Accessibility	0.341	0.137	0.000	0.000	0.000	0.000	0.478
CG0016	Local Transport Improvement Fund (MMW)	0.120	0.098	0.000	0.000	0.000	0.000	0.218
CG0017	ITS	0.662	0.300	0.000	0.000	0.000	0.000	0.962
CG0024	Electric Vehicle Action Plan	0.028	0.042	0.000	0.000	0.000	0.000	0.070
CG0026	Carriageways	8.203	2.946	2.246	0.000	0.000	0.000	13.395
CG0027	Essential Highways Minor Works	0.108	0.100	0.100	0.000	0.000	0.000	0.308
CG0029	Cycleways Improvements Programme	0.022	0.000	0.000	0.000	0.000	0.000	0.022
CG0038	Bus Corridor Minor Works	0.095	0.050	0.000	0.000	0.000	0.000	0.145
CG0040	Northam Rail Bridge	0.274	2.323	0.504	0.000	0.000	0.000	3.101
CG0042	Structures	1.229	0.150	0.150	0.000	0.000	0.000	1.529
CG0050	Footways - Various Treatments	2.046	0.450	0.450	0.000	0.000	0.000	2.946
CG0052	Highways Drainage Investigations	0.281	0.600	0.300	0.000	0.000	0.000	1.181
CG0053	St Lighting	0.024	0.000	0.000	0.000	0.000	0.000	0.024
CG0054	Road Restraint Systems	0.594	0.150	0.150	0.000	0.000	0.000	0.894
CG0060	Highways Improvements (Developer)	0.057	0.472	0.000	0.000	0.000	0.000	0.529
CG0139	Outdoor Sports Centre Improvements	1.153	13.726	14.328	0.000	0.000	0.000	29.207
CG0148	Town Depot	0.054	0.000	0.000	0.000	0.000	0.000	0.054
CG0198	S106 - Integrated Transport	0.005	0.000	0.000	0.000	0.000	0.000	0.005
CG0199	Redbridge Wharf	0.020	0.150	0.000	0.000	0.000	0.000	0.170
	Bike Share	0.621	0.190	0.000	0.000	0.000	0.000	0.811
	DDRT	0.315	0.320	0.000	0.000	0.000	0.000	0.635
	Escooter Trials (IoW)	0.123	0.000	0.000	0.000	0.000	0.000	0.123
	Escooter Trials (PCC)	0.074	0.011	0.000	0.000	0.000	0.000	0.085
CG0209 FTZ	Escooter Trials (SCC)	0.075	0.075	0.000	0.000	0.000	0.000	0.150
Theme 1 -	Escooter Trials Contingency	0.075	0.025	0.000	0.000	0.000	0.000	0.100
Personal	Lift Share	0.160	0.093	0.000	0.000	0.000	0.000	0.253
Mobility	MaaS integrations	0.310	0.163	0.079	0.000	0.000	0.000	0.552
	MaaS Trials	0.982	0.729	0.000	0.000	0.000	0.000	1.711
	Mobility Credits	0.115	0.341	0.113	0.000	0.000	0.000	0.569
	Solent Go	0.148	0.048	0.000	0.000	0.000	0.000	0.196
	TCF2 - A335 Smart Technology	0.039	0.000	0.000	0.000	0.000	0.000	0.039
	TCF2 - A335/St Denys Road Junction	0.212	0.000	0.000	0.000	0.000	0.000	0.212
	TCF2 - Avenue/Burgess Rd Jct	0.015	0.000	0.000	0.000	0.000	0.000	0.015
	TCF2 - Central Station Interchange	3.450	0.000	0.000	0.000	0.000	0.000	3.450
	TCF2 - HCC Payments	6.243	2.331	0.000	0.000	0.000	0.000	8.574
	TCF2 - High Street Swaythling Bus	0.020	0.483	0.000	0.000	0.000	0.000	0.503
	TCF2 - Millbrook Rbt Bus lane	0.025	0.140	0.000	0.000	0.000	0.000	0.165
	TCF2 - Millbrook Rd/Regents Bus Lane	0.000	0.050	0.000	0.000	0.000	0.000	0.050
	TCF2 - Northern Inner Ring Road	1.500	1.954	0.000	0.000	0.000	0.000	3.454
	TCF2 - Portsmouth Rd Cycle	0.500	0.485	0.000	0.000	0.000	0.000	0.985
	TCF2 - Portwood Road Bus Priority	0.100	3.118	0.000	0.000	0.000	0.000	3.218
	TCF2 - SCN6 Portswood Road Cycle	0.300	1.223	0.000	0.000	0.000	0.000	1.523
	TCF2 - Soton to Fair Oak Enhanced Stops	0.034	0.000	0.000	0.000	0.000	0.000	0.034
CG0215	TCF2 - Soton to Fair Oak Super Stops	0.271	0.000	0.000	0.000	0.000	0.000	0.271
Transforming	TCF2 - Soton to Totton Super Stops	0.140	0.000	0.000	0.000	0.000	0.000	0.140
Cities Fund	TCF2 - St Denys Active Travel Zone	0.218	0.000	0.000	0.000	0.000	0.000	0.218
	TCF2 - The Avenue Cycle	0.003	0.000	0.000	0.000	0.000	0.000	0.003
	TCF2 - Soton to Totton Enhanced Stops	0.052	0.000	0.000	0.000	0.000	0.000	0.052
	TCF2 - A35-A33 Smart Technology	0.003	0.000	0.000	0.000	0.000	0.000	0.003
	TCF2 - St Denys Rd Transport Corridor	0.728	0.000	0.000	0.000	0.000	0.000	0.728
	TCF2 - Portsmouth Rd Bus & Manor Road South	0.350	0.152	0.000	0.000	0.000	0.000	0.502
	TCF2 - Wessex Lane	0.261	0.000	0.000	0.000	0.000	0.000	0.261
	TCF2 - Portswood Travel Hub	0.000	0.298	0.000	0.000	0.000	0.000	0.298
	TCF2 - Woolston Travel Hub	0.200	0.498	0.000	0.000	0.000	0.000	0.698
	TCF2 - Woolston / Itchen Active Travel Zone	1.686	0.000	0.000	0.000	0.000	0.000	1.686
	TCF2 - Civic Centre Junction & East Park Terrace	1.800	0.626	0.000	0.000	0.000	0.000	2.426
	TCF2 - Albion Place & Portland Terrace	2.000	2.308	0.000	0.000	0.000	0.000	4.308
	TCF2 - Glen Eyre Road	0.744	0.000	0.000	0.000	0.000	0.000	0.744
	TCF2 - SCC Staff	0.630	0.696	0.000	0.000	0.000	0.000	1.326
CG0216	Art Gallery Roof	0.180	4.388	0.438	0.154	0.000	0.000	5.160

Place Continued

Scheme No.	Project Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£M	£M	£M	£M	£M	£M	£M
CG0217 FTZ	Drones for medical logistics	2.167	3.682	0.000	0.000	0.000	0.000	5.849
Theme 2 - Sustainable Urban Logistics	Macro consolidation	0.337	0.350	0.000	0.000	0.000	0.000	0.687
	Micro consolidation	0.722	0.979	0.000	0.000	0.000	0.000	1.701
CG0218	FTZ Programme - Other	1.471	1.683	0.439	0.000	0.000	0.000	3.593
CG0220	Public Sector Decarbonisation Scheme	0.049	0.000	0.000	0.000	0.000	0.000	0.049
CG0237	Solent SkySky Museum	0.030	0.000	0.000	0.000	0.000	0.000	0.030
CG0241	Safer Streets	0.503	0.200	0.000	0.000	0.000	0.000	0.703
CG0242	Restoring and Promoting Heritage Assets	1.750	2.078	0.450	0.000	0.000	0.000	4.278
CG0244	British Library IP Centre	0.030	0.000	0.000	0.000	0.000	0.000	0.030
CG0246	Belgrave Industrial Estate Roof	0.464	0.000	0.000	0.000	0.000	0.000	0.464
CG0247	District Centre Improvements	0.643	0.300	0.000	0.000	0.000	0.000	0.943
CG0250	Bedford Place	0.557	0.000	0.000	0.000	0.000	0.000	0.557
CG0251	Materials Recycling Facility	0.000	0.000	3.450	0.000	0.000	0.000	3.450
CG0252	Itchen Bridge	0.300	4.200	0.000	0.000	0.000	0.000	4.500
CG0265	River Itchen Flood Alleviation Scheme (RIFAS)	0.000	0.000	0.500	4.500	4.200	1.000	10.200
CG0267	Bargate Walls Restoration Works	0.484	0.000	0.000	0.000	0.000	0.000	0.484
CG0268	Corporate Council Buildings	0.476	0.000	0.000	0.000	0.000	0.000	0.476
CG0283	Daisy Dip Flood Alleviation	0.080	0.000	0.000	0.000	0.000	0.000	0.080
CG0284	Schools Surface Water Resilience	0.160	0.150	0.000	0.000	0.000	0.000	0.310
CG0288	Mayflower Park Barriers	0.045	0.090	0.000	0.000	0.000	0.000	0.135
CG0289	St Mary's Leisure Centre	0.000	2.000	0.000	0.000	0.000	0.000	2.000
CT0001	Purchase of vehicles	3.283	0.600	1.000	1.000	0.000	0.000	5.883
CT0031	Southampton Common	0.050	0.000	0.000	0.000	0.000	0.000	0.050
CT0039	Westwood Greenway	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CT0044	Blechynden Terrace Park	0.012	0.000	0.000	0.000	0.000	0.000	0.012
CT0055	Solar Powered Compactor Bins	0.212	0.212	0.000	0.000	0.000	0.000	0.424
CT0061	Weston Shore Coastal Erosion	0.012	0.000	0.000	0.000	0.000	0.000	0.012
CT0064	Welfare Improvements at Mayfield Depot	0.017	0.000	0.000	0.000	0.000	0.000	0.017
CT0065	Clean Air Zone	0.068	0.000	0.000	0.000	0.000	0.000	0.068
CT0071	Tranman - Fleet System Upgrade	0.019	0.000	0.000	0.000	0.000	0.000	0.019
CT0075	City Services - Depots	0.034	0.000	0.350	0.000	0.000	0.000	0.384
CT0081	Crematorium Refurbishment	0.001	0.000	0.000	0.000	0.000	0.000	0.001
CT0083	Open Spaces	0.210	0.321	0.000	0.000	0.000	0.000	0.531
CT0084	High Priority Play Parks	0.030	0.703	0.350	0.000	0.000	0.000	1.083
CT0085	Traveller Defences	0.024	0.000	0.000	0.000	0.000	0.000	0.024
CT0090	Green City Action Plan	0.099	0.000	0.000	0.000	0.000	0.000	0.099
CT0091	Corporate Assets Decarbonisation Scheme (CADS)	1.381	2.543	0.712	0.000	0.000	0.000	4.636
CT0092	Mayflower Park Revetments	0.456	0.000	0.000	0.000	0.000	0.000	0.456
CT0093	Weston Shore	0.019	0.237	0.000	0.000	0.000	0.000	0.256
CT0094	Green Flag Improvements	0.268	0.000	0.000	0.000	0.000	0.000	0.268
CT0095	Golf Course	0.135	0.000	0.000	0.000	0.000	0.000	0.135
CT0099	Members Minor Works - Parks and Open Spaces	0.188	0.000	0.000	0.000	0.000	0.000	0.188
CT0100	SANGS Improvements Works	0.184	0.500	0.000	0.000	0.000	0.000	0.684
		60.262	65.637	26.109	5.654	4.200	1.000	162.862
Sources of Finance								
	Council Resources	16.154	12.758	11.802	5.654	4.200	1.000	51.568
	Capital Receipt	0.000	0.000	0.325	0.000	0.000	0.000	0.325
	Contributions	8.572	5.881	3.489	0.000	0.000	0.000	17.942
	Grant	33.476	45.408	9.493	0.000	0.000	0.000	88.377
	Direct Revenue Finance	2.060	1.590	1.000	0.000	0.000	0.000	4.650
Total Programme		60.262	65.637	26.109	5.654	4.200	1.000	162.862

Strategy & Performance

Scheme No.	Project Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£M	£M	£M	£M	£M	£M	£M
CG0270	Transformation programme	2.684	6.904	0.000	0.000	0.000	0.000	9.588
		2.684	6.904	0.000	0.000	0.000	0.000	9.588
Sources of Finance								
	Capital Receipts	2.684	6.904	0.000	0.000	0.000	0.000	9.588
	Total Programme	2.684	6.904	0.000	0.000	0.000	0.000	9.588

Wellbeing & Housing

Scheme No.	Project Description	Budget	Budget	Budget	Budget	Budget	Budget	Total
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£M	£M	£M	£M	£M	£M	£M
CA0006	Telecare Equipment	0.207	0.158	0.122	0.000	0.000	0.000	0.487
CG0018	CCTV Cameras	0.103	0.000	0.000	0.000	0.000	0.000	0.103
CG0236	1000 Parking Spaces (General Fund Element)	0.319	0.000	0.000	0.000	0.000	0.000	0.319
CG0269	Safer Neighbourhoods	0.498	0.000	0.000	0.000	0.000	0.000	0.498
CT0027	Disabled Facilities Grants	1.600	1.800	1.888	0.000	0.000	0.000	5.288
CT0030	Estate Parking Improvements	0.036	0.000	0.000	0.000	0.000	0.000	0.036
CT0068	Warm Homes	0.450	0.550	0.550	0.550	0.000	0.000	2.100
CT0072	S106 - Affordable Homes	0.000	1.122	0.793	0.000	0.000	0.000	1.915
		3.213	3.630	3.353	0.550	0.000	0.000	10.746
Sources of Finance								
	Council Resources	0.629	0.158	0.122	0.000	0.000	0.000	0.909
	Capital Receipts	0.000	0.150	0.250	0.250	0.000	0.000	0.650
	Contributions	0.684	1.272	0.843	0.050	0.000	0.000	2.849
	Grants	1.900	2.050	2.138	0.250	0.000	0.000	6.338
	Total Programme	3.213	3.630	3.353	0.550	0.000	0.000	10.746
TOTAL GENERAL FUND CAPITAL PROGRAMME		78.926	98.243	44.299	35.927	6.411	1.000	264.806

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