

Public Document Pack

Cabinet

Tuesday, 23rd February, 2021
at 4.30 pm

PLEASE NOTE TIME OF MEETING

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

Members

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

(QUORUM – 3)

Contacts

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BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

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

The Forward Plan

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

Implementation of Decisions

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

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

Use of Social Media

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

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

Municipal Year Dates (Tuesdays)

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

Executive Functions

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

Key Decisions

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

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

Procedure / Public Representations

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

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

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

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

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

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

CONDUCT OF MEETING

TERMS OF REFERENCE

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

RULES OF PROCEDURE

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

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

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

Record of the decision making held on 9th February, 2021 attached.

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

There are no matters referred for reconsideration.

6 REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)

There are no items for consideration

7 EXECUTIVE APPOINTMENTS

To deal with any executive appointments, as required.

MONITORING REPORTS

8 FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2020 (Pages 3 - 68)

To consider the report of the Cabinet Member for Finance and Income Generation detailing the revenue and capital financial monitoring for the period to the end of December 2020.

ITEMS FOR DECISION BY CABINET

9 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 5 to the following Item

The appendix is considered to be exempt from general publication based on Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not in the public interest to disclose this information due to an ongoing commercial dispute which is subject to a protected alternative dispute resolution procedure. If the information was disclosed then the Council's financial position would be available to other parties to the dispute and prejudice the Council's ability to achieve best value.

10 THE REVENUE BUDGET 2021/22, MEDIUM TERM FINANCIAL FORECAST 2021/22 TO 2024/25 AND CAPITAL PROGRAMME 2020/21 TO 2025/26 □ (Pages 69 - 214)

Report of the Cabinet Member for Finance and Income Generation detailing the Revenue Budget 2021/22, Medium Term Financial Forecast 2021/22 to 2024/25 and Capital Programme 2020/21 to 2025/26.

Monday, 15 February 2021

Service Director – Legal and Business Operations

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 9 FEBRUARY 2021

Present:

| | | |
|---------------------------|---|----------------------------------------------------------------|
| Councillor Hammond | - | Leader of the Council |
| Councillor Rayment | - | Deputy Leader and Cabinet Member for Customer and Organisation |
| Councillor Kaur | - | Cabinet Member for Culture and Homes |
| Councillor Leggett | - | Cabinet Member for Green City and Place |
| Councillor Shields | - | Cabinet Member for Stronger Communities |
| Councillor Barnes-Andrews | - | Cabinet Member for Finance & Income Generation |

Apologies: Councillors Fielker and Paffey

29. ADMISSION ARRANGEMENTS FOR COMMUNITY AND VOLUNTARY CONTROLLED SCHOOLS FOR ACADEMIC YEAR 2022-23

DECISION MADE: (CAB 20/21 30981)

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

- (i) To approve the Admissions Policies, the Published Admission Numbers (PANs) and the Supplementary Information Form (SIF) for Community and Voluntary Controlled schools and the schemes for coordinating Infant-Primary, Junior and Secondary admissions for the school year 2022-23 as set out in appendices 1 to 7 of the report.
- (ii) To authorise the Executive Director - Wellbeing, Children and Learning to take any action necessary to give effect to the admissions policies and to make any changes necessary to the admissions policies where required to give effect to any Acts, Regulations or revised Schools Admissions or School Admissions Appeals Codes or binding Schools Adjudicator, Court or Ombudsman decisions whenever they arise.

30. SOUTHAMPTON GOLF COURSE

DECISION MADE: (CAB 20/21 31504)

On consideration of the report of the Cabinet Member for Culture and Homes and having complied with paragraph 15 of the Council's Access to Information Procedure Rules, Cabinet approved the recommendations contained in the confidential report.

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Agenda Item 8

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| DECISION-MAKER: | CABINET | | |
| SUBJECT: | FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2020 | | |
| DATE OF DECISION: | 23 FEBRUARY 2021 | | |
| REPORT OF: | CABINET MEMBER FOR FINANCE & INCOME GENERATION | | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Steve Harrison | Tel: 0739 2864525 |
| | E-mail: | Steve.Harrison@southampton.gov.uk | |
| S151 Officer: | Name: | John Harrison | Tel: 023 8083 4897 |
| | E-mail: | John.Harrison@southampton.gov.uk | |

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| STATEMENT OF CONFIDENTIALITY |
| N/A |
| BRIEF SUMMARY |
| <p>This report is a combined financial monitoring report for revenue and capital and updates the latest position for 2020/21.</p> <p>The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of December 2020 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2020/21 to 2024/25. It also provides an update on the impact of COVID-19 on the Council's financial position and how the budget pressures are being addressed.</p> <p>The position with regard to 'business as usual' is a £4.59M favourable variance, an improvement of £1.47M since the position reported at quarter 2. Portfolio budgets are forecast to have a significant deficit (being £5.45M adverse). Corporate funds of £9.55M have been applied to produce the overall favourable position, with the main item being a £5.76M drawdown from the social care demand reserve to offset the significant deficit forecast in Children and Learning.</p> <p>Cabinet continue to proactively manage the impact of COVID-19 on the council's budget, though the position remains challenging. There is a net adverse 'at risk' position on COVID related net spending (after grants and compensation for income losses and £3.86M of the council's own funds) of £1.76M. This at risk sum of £1.76M may need to be a call on the council's reserves unless expenditure reduces or further funding is provided by Government.</p> |

RECOMMENDATIONS:

General Revenue Fund

It is recommended that Cabinet:

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|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | i) | Note the forecast outturn position for business as usual activities is a £4.59M surplus after applying corporate funds, as outlined in paragraph 4 and in paragraph 1 of appendix 1. |
| | ii) | Note the performance of treasury management, and financial outlook in paragraphs 11 to 15 of appendix 1. |
| | iii) | Note the Key Financial Risk Register as detailed in paragraph 18 of appendix 1. |
| | iv) | Note the performance against the financial health indicators detailed in paragraphs 22 and 23 of appendix 1. |
| | v) | Note the performance outlined in the Collection Fund Statement detailed in paragraphs 27 to 32 of appendix 1. |
| | vi) | Notes the financial position arising from COVID-19, as outlined in paragraphs 4 to 9 of Appendix 1. |
| <u>Housing Revenue Account</u> | | |
| It is recommended that Cabinet: | | |
| | vii) | Note the forecast outturn position on business as usual activities is a surplus of £0.18M as outlined in paragraph 5 and paragraphs 24 and 25 of appendix 1. |
| | viii) | Notes the financial position arising from COVID-19, as outlined in paragraph 26 of Appendix 1. |
| <u>Capital Programme</u> | | |
| It is recommended that Cabinet: | | |
| | ix) | Notes the revised General Fund Capital Programme, which totals £661.70M as detailed in paragraph 1 of appendix 2. |
| | x) | Notes the HRA Capital Programme is £212.17M as detailed in paragraph 1 of appendix 2. |
| | xi) | Notes that the overall forecast position for 2020/21 at quarter 3 is £122.94M, resulting in a potential surplus of £58.30M, as detailed in paragraphs 4 and 5 of appendix 2. |
| | xii) | Notes that the capital programme remains fully funded up to 2024/25 based on the latest forecast of available resources although the forecast can be subject to change; most notably regarding the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received. |
| | xiii) | Notes that £5.84M has been added to the programme with relevant approvals. These changes are detailed in annex 2.1 to appendix 2. |
| | xiv) | Approves slippage and rephasing as detailed in paragraph 2 and 3 of appendix 2. Noting that the movement has zero net movement over the 5-year programme. |
| | xv) | Notes changes to the capital programme arising from COVID-19 as detailed in paragraphs 6 and 7 of appendix 2. |
| REASONS FOR REPORT RECOMMENDATIONS | | |
| 1. | To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources. | |

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| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | |
| 2. | Not Applicable. |
| DETAIL (including consultation carried out) | |
| | <u>Revenue</u> |
| 3. | The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of December 2020 and key issues are summarised in appendix 1. |
| 4. | The current forecast spending on business as usual activities against the council's net General Fund revenue budget for the year of £190.82M is projected to be a £4.59M surplus after applying corporate funds. |
| 5. | The forecast General Fund shortfall relating to pressures from COVID-19 as at the end of December 2020 is £1.76M. |
| 6. | The forecast position for the HRA on business as usual activities is a surplus of £0.18M against an expenditure budget of £75.60M. There is no change to the forecast £1.29M COVID-19 pressures for the HRA. |
| | <u>Capital</u> |
| 7. | Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2020/21 to 2024/25, highlighting the changes in the programme since the last reported position in December 2020. The report also notes the major forecast variances against the approved estimates. |
| 8. | The current forecast position for 2020/21 at quarter 2 is £122.94M, resulting in a potential surplus of £58.28M, as detailed in paragraphs 4 and 5 of appendix 2. |
| RESOURCE IMPLICATIONS | |
| | <u>Capital/Revenue</u> |
| 9. | The revenue and capital implications are contained in the report. |
| | <u>Property/Other</u> |
| 10. | There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report. |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 11. | Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council. |
| <u>Other Legal Implications:</u> | |
| 12. | None. |
| RISK MANAGEMENT IMPLICATIONS | |
| 13. | See comments within report. |
| POLICY FRAMEWORK IMPLICATIONS | |
| 14. | The update of the Capital Programme forms part of the overall Budget Strategy of the |

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| | Council. |
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KEY DECISION? No

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| WARDS/COMMUNITIES AFFECTED: | All |
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SUPPORTING DOCUMENTATION

Appendices

| | |
|----|------------------------------|
| 1. | Revenue Financial Monitoring |
| 2. | Capital Financial Monitoring |

Documents In Members' Rooms

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| 1. | None |
| 2. | |

Equality Impact Assessment

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

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| Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out? | No |
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Other Background Documents

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

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| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
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| 1. | Council Tax Setting and Related Matters (Council 20 February 2020) | |
| 2. | Financial Monitoring for the Period to the end of July 2020 and COVID-19 Budget Matters (Council 16 September 2020) Financial Monitoring for the Period to the end of September 2020 (Cabinet 17 November 2020) | |

Agenda Item 8

Appendix 1

REVENUE FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2020

FINANCIAL POSITION

'Business as Usual' and General Fund Budget 2020/21

1. The current forecast spending against the Council's net General Fund revenue budget on business as usual (BAU) activities for the year is projected to be a £4.59M surplus after applying corporate funds. The forecast for portfolios net expenditure has worsened by £0.62M compared to the position as at the end of September 2020. Use of corporate funds has increased by £1.60M following the application of additional funding from the Social Care Demand Reserve to meet the increase in the deficit for Children's Services within the Children & Learning portfolio.
- The overall BAU financial position is summarised in Table 1 below.

Table 1 – General Revenue Fund Business as Usual Forecast 2020/21

| | Budget Dec 2020 £M | BAU Annual Forecast Dec 2020 £M | BAU Forecast Variance Dec 2020 £M | BAU Forecast Variance Sept 2020 £M | BAU Variance Movement from Sept 2020 £M |
|-----------------------------------------|---------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------|
| Portfolios Net Expenditure | 172.70 | 178.15 | 5.45 A | 4.83 A | 0.62 A |
| Non-Portfolio Net Expenditure | 18.33 | 17.84 | 0.49 F | 0.00 | 0.49 F |
| Net Revenue Expenditure | 191.02 | 195.98 | 4.96 A | 4.83 A | 0.13 A |
| Financing | (191.02) | (190.82) | 0.00 | 0.00 | 0.00 |
| Net Deficit / (Surplus) | 0.00 | 4.96 | 4.96 A | 4.83 A | 0.13 A |
| Use of Corporate Funds | 0.00 | (9.55) | 9.55 F | 7.94 F | 1.60 F |
| (Surplus) / Deficit for the year | 0.00 | (4.59) | 4.59 F | 3.12 F | 1.47 F |

NB Numbers are rounded

2. More detail, including explanations of significant movements in BAU variances between September and December 2020 (in excess of £0.2M) is provided in Annex 1.1.
3. The most significant adverse variance on business as usual activities continues to be in the Children & Learning portfolio, which is forecast to have a deficit of £5.76M, an increase of £1.39M from the £4.37M forecast as at September 2020. The majority of the deficit (£3.63M) continues to be for Looked After Children Provision, due to the higher number of children in residential care and independent fostering agencies than budgeted.

COVID-19 and General Fund Budget 2020/21

4. The forecast shortfall relating to pressures from COVID-19 as at the end of December 2020 and the movement since September 2020 is summarised in Table 2 below. Tranche 4 COVID-19 Support Grant was reported separately for quarter 2, however for consistency with the other tranches it has been included within the Non-Portfolio Net Expenditure in Table 2.

The reported position does not take into account the adverse impact on Council Tax and Business Rates income, which will be met in 2021/22 onwards under Collection Fund accounting arrangements, as outlined in paragraphs 27 to 32 below.

Table 2 – General Revenue Fund COVID-19 Pressures Forecast 2020/21

| | COVID-19 Forecast Pressures Dec 2020 £M | COVID-19 Forecast Pressures Sept 2020 £M | COVID-19 Pressures Movement from Sept 2020 £M |
|----------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------|
| Portfolios Net Expenditure | 34.53 A | 45.35 A | 10.82 F |
| Non-Portfolio Net Expenditure | 22.30 F | 22.19 F | 0.11 F |
| Net Revenue Expenditure | 12.23 A | 23.16 A | 10.93 F |
| Financing | 0.00 | 0.00 | 0.00 |
| Net Deficit / (Surplus) | 12.23 A | 23.16 A | 10.93 F |
| Use of Corporate Funds | 0.00 | 9.61 F | 9.61 A |
| Estimated income loss compensation | 6.33 F | 4.90 F | 1.43 F |
| BAU surplus | 2.36 F | 3.12 F | 0.76 A |
| In-year savings | 1.50 F | 1.50 F | 0.00 |
| Government new burdens funding | 0.28 F | 0.00 | 0.28 F |
| Sub-total: additional measures/Government support | 10.47 F | 19.12 F | 8.65 A |
| At risk shortfall | 1.76 A | 4.04 A | 2.28 F |

NB Numbers are rounded

5. More detail, including explanations of significant movements in COVID-19 pressures between September and December 2020 (in excess of £0.2M) is provided in Annex 1.1.

6. The forecast COVID-19 pressures for Adults Services has reduced by almost £12M since quarter 2. The majority of this relates to the funding of hospital discharges continuing to be met by the Clinical Commissioning Group and homecare costs not increasing as much as previously anticipated, partially offset by additional staffing costs.

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| 7. | The reduction in the forecast pressures for Adults means that the £9.61M of Corporate Funds previously earmarked to meet in-year COVID-19 pressures, along with £0.73M of the BAU surplus, is no longer needed for that purpose. It is proposed to transfer these funds into the Social Care Demand Reserve to be available to meet social care pressures in future years, as set out in the 2021/22 Budget Report and MTFS. |
| 8. | The at risk shortfall has reduced by £2.28M from the position forecast for quarter 2. This leaves £1.76M shortfall that will need to be met from uncommitted earmarked reserves if no further Government support is forthcoming or costs do not reduce further. |
| 9. | In June, Council agreed that in order to help respond quickly to the pandemic, agreeing significant grants and associated spending could be delegated to the S151 officer, following consultation with senior members of the cabinet. Annexe 1.2 reports on all grants received which are COVID-19 related, for information. |
| | <u>Implementation of Savings Proposals</u> |
| 10. | Of the £11.84M savings plans included within the 2020/21 budget £5.11M have been achieved or are on track to be achieved before the end of this financial year. £6.13M of the remaining £6.73M have not been progressed because of the COVID-19 pandemic and are included within the COVID forecast pressures reported in Table 2 above. |
| | <u>Treasury Management</u> |
| 11. | Borrowing and investment balances as at 31 December 2020 and forecasts for the year-end are set out in Annex 1.3. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is a current estimated increase in net borrowing of £37.55M for 2020/21. This is less than previously reported as a number of schemes have been deferred. |
| 12. | In November 2020 the Public Works Loans Board (PWLB) published its response to the consultation on 'Future Lending Terms'. From 26 November 2020 the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority confirms that it does not have plans to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. See Annex 1.3 for further details. |
| 13. | The initial reaction to the COVID crisis in March meant that short term liquidity became difficult and Government sought to assist cash flow by providing up front funding as far as possible. As a result 2019/20 year end investment balances were higher than expected and remained so during the year to the end of December 2020 but are expected to fall during the final quarter of the year. |
| 14. | The Council will continue to monitor the financial markets closely in light of uncertainties over the impact of the COVID-19 pandemic and will keep its treasury management strategy under review. |
| 15. | Annex 1.3 includes an overview of current performance along with an update on the financial outlook. The Council approved a number of indicators at its meeting in February 2020. The Council has operated within the agreed prudential indicators for the first 9 months of the year and is forecast to do so for the remainder of the year. |

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| | <u>Reserves & Balances</u> |
| 16. | The General Fund Balance is currently £10.07M with no planned drawdown during the year. |
| 17. | At the 31 March 2020, earmarked revenue reserves totalled £86.20M, plus Schools Balances totalling £1.57M. The estimated forecast position as at the 31 March 2021 is £92.43M plus Schools Balances forecast to be £0.81M in deficit (including a £0.02M loan for a school minibus). The £92.43M includes carry forward of £28.17M of government grants relating to the Council's share of the deficit on the Collection Fund, which under accounting arrangements is carried forward to be met from the General Fund revenue budget in future years. Excluding the government grants carried forward, the non-school earmarked revenue reserves are forecast to be £64.26M at 31 March 2021. |
| | <u>Key Financial Risks</u> |
| 18. | The Council maintains a financial risk register which details the key financial risks that face the Council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as Annex 1.4. |
| | <u>Schools</u> |
| 19. | <p>As at 31 December 2020 there were 16 schools reporting a deficit balance totalling £5.09M This is an increase of 1 school compared to the position reported at 30 September 2020. There are 29 schools reporting a surplus totalling £4.3M. The net position is therefore an overall deficit of £0.79M which is £0.02M adverse movement from the quarter 2 position.</p> <p>Schools with deficit budgets continue to be supported by the Education Finance Team to develop Deficit Recovery Plans (DRP) and additional resources have been made available in 2020/21 to provide this support. There are 3 schools scheduled to transfer to academy status. Two of these conversions are compulsory orders and planned to take place in February 2021 and September 2021. The third conversion is voluntary and planned to take place in April 2021. The two compulsory conversions have a combined deficit position forecast of between £1.0M - £1.2M for which the Council will need to provide for under school's legislation. The schools are working with the Finance Team to identify in-year savings to reduce the forecast deficits prior to conversion.</p> <p>Schools are bearing exceptional costs associated with COVID-19 which are adversely affecting their forecast outturns. The Department for Education (DfE) have provided support for eligible additional costs incurred for the period March to July 2020 (see below). Schools are however continuing to incur additional costs beyond July such as backfilling for staff having to isolate and continuing additional cleaning costs.</p> |
| 20. | So far 24 schools have had their COVID-19 expense claims approved totalling £0.2M for the claim period March to July 2020. The DfE are currently assessing other claims submitted and will issue the outcome in due course. It is expected that schools will experience a variety of additional pressures to ensure the safe running of their establishments which are not covered by the additional funding and that whilst schools will be expected to, as far as possible, manage these within existing budgets there will be cost pressures affecting budgets for many schools. |

| | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | The current 3-year deficit recovery timetable for schools in deficit to get back to a balanced budget may be extended to 5 years if necessary, for schools with significant COVID-19 pressures. |
| | Dedicated Schools Grant (DSG) 2020/21 |
| 21. | <p>The Forecast outturn for the Dedicated Schools Grant (DSG) at the end of December 2020 is a £9.35M deficit, which includes £0.27M for COVID-19 related pressures. The DSG Grant is ring-fenced and the deficit will not impact on the General Fund and non-school services the council provides.</p> <p>This deficit is being driven by significant year on year annual increases in the number and complexity of Education Health Care Plans (EHCPs) and increasing numbers of pupils with Special Educational Needs and Disability (SEND) being placed in expensive out of city placements in independent school settings. A working party has commenced a strategic review of High Needs activity to manage SEND demand. The variance includes a brought forward deficit of £7.42M from the previous year. Pressures on the High Needs services is a nationally recognised issue with significant pressures reported in most local authorities as a result of historical grant funding allocations not having kept pace with the significant demand increases in the number and complexity of children with SEND. The 17% increase in High Needs funding in 2020/21 has mitigated some of the pressure being experienced but further work is needed to reduce costs where possible. High Needs funding announced for next year is for a further 12% increase which will help support the deficit recovery plan.</p> <p>£0.27M of the DSG deficit is due to COVID-19 pressures for loss of income from cancelled training courses, lost room lettings income and reduced parental fee income paid directly to maintained nursery settings.</p> |
| | <u>Financial Health Indicators</u> |
| 22. | In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Annex 1.5 outlines the performance as at quarter 3 2020/21, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required. |
| 23. | <p>The aged debt profile has deteriorated due to system issues which have now been resolved and the temporary suspension of debt recovery action during the initial COVID-19 lockdown. The position is expected to improve by year-end as resources have reprioritised to focus on recovery of aged debt or write-off where appropriate with debt recovery work revering to something akin to normal processes, whilst recognises COVID-19 has thrown up economic factors for some residents that need to be taken into account.</p> <p>Actions are being taken to improve performance for undisputed invoices paid within 30 days. These include system improvements and continuing to provide management information.</p> |

Housing Revenue Account

'Business as Usual' and HRA Budget 2020/21

24. The forecast position for the Housing Revenue Account on business as usual (BAU) activities for the year is projected to be a £0.18M surplus as summarised in Table 3 below.

Table 3 – Housing Revenue Account Business as Usual Forecast 2020/21

| | Budget Dec 2020 £M | BAU Forecast Dec 2020 £M | BAU Forecast Variance Dec 2020 £M | BAU Forecast Variance Sept 2020 £M | BAU Variance Movement from Sept 2020 £M |
|-----------------------------------------|-----------------------|-----------------------------|--------------------------------------|---------------------------------------|--------------------------------------------|
| Expenditure | 75.60 | 74.92 | 0.69 F | 0.32 A | 1.01 F |
| Income | (75.60) | (75.09) | 0.51 A | 0.05 F | 0.56 A |
| (Surplus) / Deficit for the year | 0.00 | (0.18) | 0.18 F | 0.27 A | 0.45 F |

NB Numbers are rounded

25. Details of the significant movements on business as usual activities since the position as at September 2020 are provided in Annex 1.6.

COVID-19 and HRA Budget 2020/21

26. The forecast pressures from COVID-19 as at the end of December 2020 are summarised in Table 4 below. There has been no movement to the position as at September 2020.

Table 4 – HRA COVID-19 Pressures Forecast 2020/21

| | COVID-19 Forecast Pressures Dec 2020 £M | COVID-19 Forecast Pressures Sept 2020 £M | COVID-19 Pressures Movement from Sept 2020 £M |
|-----------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------------|
| Expenditure | 1.25 A | 1.25 A | 0.00 |
| Income | 0.04 A | 0.04 A | 0.00 |
| (Surplus) / Deficit for the year | 1.29 A | 1.29 A | 0.00 |

NB Numbers are rounded

Collection Fund (covering business rates and council tax collection)

27. Annex 1.7 shows the forecast outturn position for the Collection Fund at the end of December 2020, with the position summarised in Table 5. The Collection Fund operates on behalf of not only Southampton City Council (SCC) but also Hampshire

Police, Hampshire Fire and Rescue Authority and the Ministry of Housing, Communities and Local Government as they also receive a share of the proceeds of these income streams. The net impact for SCC alone is shown in the second part of table 5.

Table 5 – Collection Fund Forecast 2020/21

| | Council Tax £M | Business Rates £M | Total £M |
|----------------------------------------------------------------------------------------|-------------------------------|----------------------------------|---------------------|
| Distribution of previous year's estimated Surplus/(Deficit) | (0.30) | 0.51 | 0.21 |
| Net income and expenditure for 2020/21 | 0.79 | 56.46 | 57.25 |
| Deficit for the year | 0.50 | 56.97 | 57.46 |
| Deficit/(Surplus) brought forward from 2019/20 | 2.63 | (0.68) | 1.95 |
| Overall Deficit Carried Forward | 3.13 | 56.29 | 59.41 |
| SCC Share of Deficit | 2.65 | 27.54 | 30.19 |
| Less: SCC additional Government Grant for business rates reliefs | | (24.71) | (24.71) |
| SCC Net Share of Deficit after additional Government Grant | 2.65 | 2.83 | 5.48 |
| Less: SCC spreading adjustment | (0.45) | (1.95) | (2.40) |
| SCC Net Share of Deficit after additional Government Grant repayable in 2021/22 | 2.20 | 0.88 | 3.08 |

NB Numbers are rounded

28. The table shows the net impact for SCC only as a forecast £5.48M deficit, once additional Government Grant to fund extra business rates reliefs is factored in. The biggest factors giving rise to the forecast deficit are a reduction in council tax income from taxpayers, mainly due to an increase in working age local council tax support scheme claimants, and an increase in the amount set aside for losses on business rates appeals.
29. Alongside the 2021/22 Provisional Local Government Finance Settlement the Government announced details of a scheme to compensate local authorities for 75% of irrecoverable council tax and business rates losses for 2020/21. The Council is expected to benefit by £3.46M from this scheme, which has been taken into account in setting the 2021/22 budget.
30. To reduce the financial impact in 2021/22 of exceptional losses arising in 2020/21 due to the COVID-19 pandemic, the government has made regulations to require 2020/21 in-year deficits to be spread over 3 years. The spreading of deficits only applies to the estimated 2020/21 in-year position and prior year elements remain to be met in full in 2021/22. For the purposes of spreading, council tax and business rates deficits are treated separately. Of the £5.48M SCC share of the net deficit shown above, £1.85M relates to 2019/20. A spreading adjustment of £2.40M is SCC's share of the deficit to be carried forward and met in 2022/23 and 2023/24. After applying the spreading

| | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | adjustment, the SCC share of the net deficit (after additional government grant) to be taken into account in setting the 2021/22 budget is £3.08M. |
| 31. | There remains a high level of uncertainty about the impact of COVID-19 on the Collection Fund. The forecast anticipates further increases in the number of working age local council tax support claimants and in business rates empty property relief before the end of the financial year. |
| 32. | The position on the Collection Fund as a whole is a deficit to be carried forward of £59.41M <u>before</u> extra Government Grant. The vast majority of the deficit relates to the Government's expansion of the business rates retail discount scheme (to 100% relief for the retail, leisure and hospitality sectors) and introduction of the nursery discount scheme in response to COVID-19, a total of £50.49M additional relief compared to the original estimate. These additional reliefs are being funded by Government grant (known as S31 grant). |
| | |

Annexes

1. General Revenue Fund Forecast Qtr 3 2020/21
2. COVID-19 Government Grants 2020/21
3. Treasury Management Qtr 3 2020/21
4. Key Financial Risk Register Qtr 3 2020/21
5. Health Indicators Qtr 3 2020/21
6. HRA Forecast Qtr 3 2020/21
7. Collection Fund Forecast Qtr 3 2020/21

**OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR
2020/21**

| Portfolio | Budget Dec 2020 £M | BAU* Annual Forecast Dec 2020 £M | BAU* Forecast Variance Dec 2020 £M | BAU* Forecast Variance Sept 2020 £M | BAU* Variance Movement from Sept 2020 £M |
|-----------------------------------------|---------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------|
| Children & Learning | 47.13 | 52.89 | 5.76 A | 4.37 A | 1.39 A |
| Culture & Homes | 8.79 | 8.47 | 0.31 F | 0.13 A | 0.44 F |
| Customer & Organisation | 27.25 | 27.16 | 0.09 F | 0.41 A | 0.50 F |
| Finance & Income Generation | (3.01) | (2.40) | 0.61 A | 1.32 A | 0.71 F |
| Green City & Place | 23.04 | 24.61 | 1.57 A | 1.30 A | 0.27 A |
| Health & Adults | 66.49 | 64.50 | 1.99 F | 2.64 F | 0.65 A |
| Stronger Communities | 3.03 | 2.91 | 0.12 F | 0.05 F | 0.07 F |
| Total Portfolios | 172.70 | 178.15 | 5.45 A | 4.83 A | 0.62 A |
| Levies & Contributions | 0.09 | 0.09 | 0.00 | 0.00 | 0.00 |
| Capital Asset Management | 9.87 | 9.38 | 0.49 F | 0.00 | 0.49 F |
| Other Expenditure & Income | 8.37 | 8.37 | 0.00 | 0.00 | 0.00 |
| Net Revenue Expenditure | 191.02 | 195.98 | 4.96 A | 4.83 A | 0.13 A |
| Draw from Balances | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Council Tax | (102.28) | (102.28) | 0.00 | 0.00 | 0.00 |
| Business Rates | (54.57) | (54.57) | 0.00 | 0.00 | 0.00 |
| Non-Specific Government Grants | (34.16) | (34.16) | 0.00 | 0.00 | 0.00 |
| Total Financing | (191.02) | (191.02) | 0.00 | 0.00 | 0.00 |
| Net Deficit / (Surplus) | 0.00 | 4.96 | 4.96 A | 4.83 A | 0.13 A |
| Use of Corporate Funds | 0.00 | (9.55) | 9.55 F | 7.94 F | 1.60 F |
| (Surplus) / Deficit for the year | 0.00 | (4.59) | 4.59 F | 3.12 F | 1.47 F |

NB Numbers are rounded

*Business as usual

EXPLANATIONS BY PORTFOLIO

1. CHILDREN & LEARNING PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a deficit of **£5.76M** at year-end on business as usual (BAU) activities, which represents a percentage deficit against budget of **12%**. The Portfolio forecast variance has moved adversely by **£1.39M** from the position reported at Quarter 2.

In addition, **£3.66M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------|------------------------|
| Portfolio Outturn business as usual | 5.76 A | 4.37 A | 1.39 A | 12.0 |
| | | | | |
| COVID-19 Pandemic | 3.66 A | 4.08 A | 0.42 F | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|--------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| Divisional Management & Legal | 0.17 A | 0.17 A | 0.00 |
| Looked After Children & Provision | 3.63 A | 3.18 A | 0.45 A |
| Multi Agency Safeguarding Hub & Children in Need | 0.82 A | 0.82 A | 0.00 |
| Quality Assurance Business Unit | 0.13 A | 0.08 A | 0.05 A |
| Specialist Core Services | 0.77 A | 0.13 A | 0.64 A |
| Targeted and Restorative Services | 0.26 A | 0.00 | 0.26 A |
| Other | 0.02 F | 0.01 F | 0.01 F |
| Total | 5.76 A | 4.37 A | 1.39 A |

The SIGNIFICANT business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation: |
|-------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Looked After Children and Provision | 0.45 A | The adverse movement from Quarter 2 mainly relates to three areas. Firstly, a full review of Foster Carer payments, including the full effect of the recent payment uplifts, has shown an increase in the expected outturn this year. Secondly, the number of Special Guardianship Orders (SGO's) has increased more than expected. The standard nature of SGO payments does mean that it prevents further ongoing placement issues and cost increases. The third main adverse movement is in the required extension of agency staff within the Placements Team, the Looked After Children Team, the Friends and Family Team and the Pathways Team. |
| Specialist Core Services | 0.64 A | The adverse movement from Quarter 2 relates to an increase in temporary accommodation and other preventative spend within the Protection and Court Teams to assist children and families within the city. |
| Targeted and Restorative Services | 0.26 A | There is an adverse movement from Quarter 2 that mainly relates to a forecast shortfall in the payment by results (PBR) income within the Troubled Families grant. For this year, difficulty in tracking information from partner organisations and the data team had led to this forecast reduction. The team are constantly looking at alternative options to identify relevant cases that can be claimed to minimise this adverse variance. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 £M | COVID-19 Pressures Qtr 2 £M | COVID-19 Pressures Movement from Qtr 2 £M |
|--------------------------------------------------|-----------------------------|-----------------------------|-------------------------------------------|
| Divisional Management & Legal | 0.06 A | 0.06 A | 0.00 |
| Education - Early Years & Asset Mgt | 0.80 A | 1.25 A | 0.45 F |
| Education - High Needs & Schools | 0.10 A | 0.22 A | 0.12 F |
| Looked After Children & Provision | 2.10 A | 1.96 A | 0.14 A |
| Multi Agency Safeguarding Hub & Children in Need | 0.46 A | 0.46 A | 0.00 |
| Targeted and Restorative Services | 0.06 A | 0.06 A | 0.00 |
| Other | 0.08 A | 0.07 A | 0.01 A |
| Total | 3.66 A | 4.08 A | 0.42 F |

The SIGNIFICANT COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in COVID-19 Pressures Between Quarter 2 and Quarter 3 £M | Explanation: |
|-------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Education - Early Years & Asset Mgt | 0.45 F | The favourable movement is due to additional Home to School Transport funding of £0.45M for the Autumn and Spring term from the Department for Education. |

2. CULTURE & HOMES PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a surplus of **£0.31M** at year-end on business as usual activities, which represents a percentage surplus against budget of **3.5%**. The Portfolio forecast variance has moved favourably by **£0.44M** from the position reported at Quarter 2.

In addition, **£2.46M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------|------------------------|
| Portfolio Outturn business as usual | 0.31 F | 0.13 A | 0.44 F | 3.5 |
| | | | | |
| COVID-19 Pandemic | 2.46 A | 2.25 A | 0.21 A | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| City of Culture | 0.00 | 0.05 F | 0.05 A |
| Cultural Services | 0.06 A | 0.08 A | 0.02 F |
| Leisure Client | 0.10 A | 0.10 A | 0.00 |
| Housing Needs | 0.46 F | 0.00 | 0.46 F |
| Private Sector Housing | 0.01 F | 0.00 | 0.01 F |
| Total | 0.31 F | 0.13 A | 0.44 F |

The **SIGNIFICANT** business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation: |
|---------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Housing Needs | 0.46 F | £0.46M of COVID-19 related expenditure relating to Homelessness will be offset by using available resources from the Flexible Homelessness grant and New Burdens funding - this is reflected in the monitoring by reporting a favourable variance in Business as Usual activities offset by an adverse variance in COVID-19 related pressures. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 £M | COVID-19 Pressures Qtr 2 £M | COVID-19 Pressures Movement from Qtr 2 £M |
|------------------------|--------------------------------|--------------------------------|----------------------------------------------|
| Cultural Services | 1.15 A | 1.19 A | 0.04 F |
| Housing Need | 0.46 A | 0.52 A | 0.06 F |
| Leisure Client | 0.61 A | 0.34 A | 0.27 A |
| Private Sector Housing | 0.24 A | 0.20 A | 0.04 A |
| Total | 2.46 A | 2.25 A | 0.21 A |

The SIGNIFICANT COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in COVID-19 Pressures Between Quarter 2 and Quarter 3 £M | Explanation |
|----------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leisure Client | 0.27 A | There is an overall adverse variance of £0.61M due to expected contract liabilities resulting from COVID-19 for Leisure contracts. This adverse variance has increased by £0.27M since Quarter 2 due to the impact of the national lockdowns in November 20 and January 21. The Council will be submitting an application to the recently announced National Leisure Recovery Fund. If successful, this is expected to partly reduce the adverse variance but it is not yet known by how much. |

3. CUSTOMER & ORGANISATION PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a surplus of **£0.09M** at year-end on business as usual activities, which represents a percentage surplus against budget of **0.3%**. The Portfolio forecast variance has moved favourably by **£0.50M** from the position reported at Quarter 2.

In addition, **£0.37M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|----------------------------------|----------------------------------|------------------------------|-------------|
| Portfolio Outturn business as usual | 0.09 F | 0.41 A | 0.50 F | 0.3 |
| | | | | |
| COVID-19 Pandemic | 0.37 A | 0.35 A | 0.02 A | |

A summary of the Portfolio business as usual forecast variance and movement since Qtr 2 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|-------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Customer Services | 0.34 F | 0.17 F | 0.17 F |
| Facilities Management | 0.10 F | 0.00 | 0.10 F |
| IT Services | 0.74 A | 0.75 A | 0.01 F |
| Projects, Policy & Performance | 0.17 F | 0.17 F | 0.00 |
| Strategic Management of the Council | 0.11 F | 0.00 | 0.11 F |
| Other | 0.11 F | 0.00 A | 0.11 F |
| Total | 0.09 F | 0.41 A | 0.50 F |

The SIGNIFICANT business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation |
|---------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer Services | £0.17 F | There is a favourable movement of £0.17M from the last quarter, which is due to continuing delays in recruitment for vacant posts within the team due to the impact of Covid-19 on the recruitment process. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 | COVID-19 Pressures Qtr 2 | COVID-19 Pressures Movement from Qtr 2 |
|--------------|--------------------------|--------------------------|----------------------------------------|
| | £M | £M | £M |
| IT Services | 0.12 A | 0.12 A | 0.00 |
| Land Charges | 0.06 A | 0.10 A | 0.04 F |
| HR Services | 0.09 A | 0.07 A | 0.02 A |
| Other | 0.10 A | 0.06 A | 0.04 A |
| Total | 0.37 A | 0.35 A | 0.02 A |

The were no significant COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio.

4. FINANCE & INCOME GENERATION PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a deficit of **£0.61M** at year-end on business as usual activities, which represents a percentage deficit against budget of **20.20%**. The Portfolio forecast variance has moved favourably by **£0.71M** from the position reported at Quarter 2.

In addition, **£4.87M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|-------------------------------|-------------------------------|---------------------------|--------------|
| Portfolio Outturn business as usual | 0.61 A | 1.32 A | 0.71 F | 20.20 |
| | | | | |
| COVID-19 Pandemic | 4.87 A | 4.85 A | 0.02 A | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|-----------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Accounts Payable | 0.09 F | 0.13 F | 0.04 A |
| Commercialisation | 0.19 F | 0.04 F | 0.15 F |
| Corporate Planning | 0.06 F | 0.21 A | 0.27 F |
| Local Taxation & Benefits Service | 0.31 F | 0.12 F | 0.19 F |
| Property Portfolio Management | 1.48 A | 1.50 A | 0.02 F |
| Accounts Receivable | 0.13 F | 0.08 F | 0.05 F |
| Other | 0.09 F | 0.02 F | 0.07 F |
| Total | 0.61 A | 1.32 A | 0.71 F |

The SIGNIFICANT business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation |
|---------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Planning | £0.27 F | Staffing savings have been made of £0.15M due to delays in being able to recruit to vacant posts. Savings of £0.12M have also been achieved in the postage and cash collections budgets as utilisation and costs have been less during the pandemic. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 | COVID-19 Pressures Qtr 2 | COVID-19 Pressures Movement from Qtr 2 |
|-----------------------------------|--------------------------|--------------------------|----------------------------------------|
| | £M | £M | £M |
| Commercialisation | 0.30 A | 0.30 A | 0.00 |
| Corporate Planning | 2.75 A | 2.75 A | 0.00 |
| Local Taxation & Benefits Service | 0.51 A | 0.51 A | 0.00 |
| Property Portfolio Management | 1.30 A | 1.29 A | 0.01 A |
| Other | 0.01 A | 0.00 | 0.01 A |
| Total | 4.87 A | 4.85 A | 0.02 A |

There were no significant COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio.

5. GREEN CITY & PLACE PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a deficit of **£1.57M** at year-end on business as usual activities, which represents a percentage deficit against budget of **6.8%**. The Portfolio forecast variance has moved adversely by **£0.27M** from the position reported at Quarter 2.

In addition, **£7.07M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|-------------------------------|-------------------------------|---------------------------|-------------|
| Portfolio Outturn business as usual | 1.57 A | 1.30 A | 0.27 A | 6.8 |
| | | | | |
| COVID-19 Pandemic | 7.07 A | 6.04 A | 1.03 A | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| City Services – Waste Operations | 0.78 A | 0.34 A | 0.44 A |
| City Services – District Operating Areas | 0.38 A | 0.43 A | 0.05 F |
| City Services – Commercial Services | 0.17 A | 0.20 A | 0.03 F |
| City Services – Trees & Ecology | 0.06 A | 0.06 A | 0.00 |
| Planning | 0.11 A | 0.11 A | 0.00 |
| Transportation | 0.07 A | 0.07 A | 0.00 |
| Green City & Place Trading | 0.11 A | 0.10 A | 0.01 A |
| Parking & Itchen Bridge | 0.13 F | 0.00 | 0.13 F |
| Others | 0.02 A | 0.01 F | 0.03 A |
| Total | 1.57 A | 1.30 A | 0.27 A |

The **SIGNIFICANT** business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation: |
|----------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City Services – Waste Operations | 0.44 A | There is additional forecast spend on temporary staff of £0.23M, based on current monthly spend and current vacancies being covered. The remaining movement is a result of a successful backdated pay claim; increase in bin purchases for increasing green waste customers; increase in damage and repairs forecast; and other minor variances in the service. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 | COVID-19 Pressures Qtr 2 | COVID-19 Pressures Movement from Qtr 2 |
|------------------------------------------|---------------------------------|---------------------------------|-----------------------------------------------|
| | £M | £M | £M |
| Parking & Itchen Bridge | 5.18 A | 4.35 A | 0.83 A |
| City Services – Waste Operations | 0.90 A | 0.82 A | 0.08 A |
| City Services – District Operating Areas | 0.34 A | 0.33 A | 0.01 A |
| City Services – Commercial Services | 0.19 A | 0.17 A | 0.02 A |
| Transportation | 0.26 A | 0.26 A | 0.00 |
| Planning | 0.13 A | 0.03 A | 0.10 A |
| Economic Development | 0.08 A | 0.08 A | 0.00 |
| Total | 7.07 A | 6.04 A | 1.03 A |

The **SIGNIFICANT COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio are:**

| Service Area | Movement in COVID-19 Pressures Between Quarter 2 and Quarter 3 | Explanation |
|-------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | £M | |
| Parking & Itchen Bridge | 0.83 A | The adverse movement in the quarter reflects the impact of the November lockdown and expected lower volumes on use of the Itchen Bridge and parking in the City to the end of the financial year. |

6. HEALTH & ADULTS PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a surplus of **£1.99M** at year-end on business as usual activities, which represents a percentage surplus against budget of **3.0%**. The Portfolio business as usual forecast variance has moved adversely by **£0.65M** from the position reported at Quarter 2.

In addition, **£14.87M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | Qtr 3 % of budget |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------|----------------------------------|
| Portfolio Outturn business as usual | 1.99 F | 2.64 F | 0.65 A | 3.0 |
| | | | | |
| COVID-19 Pandemic | 14.87 A | 26.68 A | 11.81 F | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 2020 is shown in the table below:

| Service Area | BAU Forecast Variance Qtr 3 £M | BAU Forecast Variance Qtr 2 £M | BAU Movement from Qtr 2 £M |
|---------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| Long Term | 1.36 F | 2.27 F | 0.91 A |
| Public Health | 0.29 F | 0.29 F | 0.00 |
| ICU Provider Relationships | 0.15 F | 0.09 F | 0.06 F |
| Reablement & Hospital Discharge | 0.11 F | 0.00 | 0.11 F |
| Safeguarding AMH & OOH | 0.06 F | 0.00 | 0.06 F |
| Other | 0.02 F | 0.01 A | 0.03 F |
| Total | 1.99 F | 2.64 F | 0.65 A |

The **SIGNIFICANT** business as usual movements between Quarter 2 and Quarter 3 2020 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 2020 £M | Explanation |
|---------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long Term | 0.91 A | Since Quarter 2 there has been a £0.91M adverse variance movement due to increases in Nursing, Residential and Learning Disabilities package costs. The NHS has continued to pick up the majority of hospital discharge costs since April 2020, due to COVID-19 protocols. These packages are in the process of being transferred to the City Council which may affect the position depending on the date of transfer. |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 £M | COVID-19 Pressures Qtr 2 £M | COVID-19 Pressures Movement from Qtr 2 £M |
|---------------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------------------------------------------|
| Long Term | 11.36 A | 23.33 A | 11.97 F |
| Provider Services | 0.15 A | 0.15 A | 0.00 |
| ICU Provider Relationships | 0.64 A | 0.55 A | 0.09 A |
| Reablement & Hospital Discharge | 0.84 A | 0.85 A | 0.01 F |
| Public Health | 0.29 A | 0.29 A | 0.00 |
| Safeguarding Adult Mental Health and Out of Hours | 1.52 A | 1.48 A | 0.04 A |
| Other | 0.07 A | 0.03 A | 0.04 A |
| Total | 14.87 A | 26.68 A | 11.81 F |

The SIGNIFICANT COVID-19 pressures movements between Quarter 2 and Quarter 3 2020 for the Portfolio are:

| Service Area | Movement in COVID-19 Pressures Between Quarter 2 and Quarter 3 £M | Explanation |
|--------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long Term | 11.97 F | <p>There has been a significant favourable variance movement of £11.97M since Quarter 2, this is mainly due to:</p> <p>Hospital Discharge Scheme 1 - The original figures assumed that cases would transfer to the local authority as at 1st September 2020. The Clinical Commissioning Group have confirmed they will continue to fund all Scheme 1 cases until the client has had a review of their needs and the appropriate package of care agreed.</p> <p>Hospital Discharge Scheme 2- The reduced figure reflects a proportion of self-funders who will be responsible for the cost of their own care, clients that will meet the Continuing Health Care criteria and their cost will continue to be met by health and a trajectory to sadly reflect those likely to pass away before the end of the financial year.</p> <p>There has also been a favourable movement of £2.00M due to a review of the forecast increased homecare costs and £0.83M favourable movement due to a review of the expected Financial Assessment and Benefits team assessments forecast income position.</p> <p>This favourable position is partially offset by a £0.51M adverse variance due to additional staffing required to mitigate the COVID impact and conduct reviews. This will continue to meet the additional staffing resource requirement to carry out discharge assessments and reviews as a result of COVID-19 into the next financial year.</p> |

7. STRONGER COMMUNITIES PORTFOLIO

KEY REVENUE ISSUES – DECEMBER 2020

The Portfolio is currently forecast to have a surplus of **£0.12M** at year-end on business as usual activities, which represents a percentage surplus against budget of **3.9%**. The Portfolio forecast variance has moved favourably by **£0.07M** from the position reported at Quarter 2.

In addition, **£1.23M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Forecast Variance Qtr 3 £M | Forecast Variance Qtr 2 £M | Movement from Qtr 2 £M | % of budget |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------|------------------------|
| Portfolio Outturn business as usual | 0.12 F | 0.05 F | 0.07 F | 3.9% |
| COVID-19 Pandemic | 1.23 A | 1.10 A | 0.13 A | |

A summary of the Portfolio business as usual forecast variance and movement since Quarter 2 is shown in the table below:

| Service Area | BAU Forecast Variance Quarter 3 £M | BAU Forecast Variance Quarter 2 £M | BAU Movement from Quarter 2 £M |
|---------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|
| Bereavement Services | 0.21 A | 0.10 A | 0.11 A |
| Environmental Health | 0.13 F | 0.17 F | 0.04 A |
| Registration Services | 0.03 A | 0.07 A | 0.04 F |
| Port Health & Trading Standards | 0.08 F | 0.00 | 0.08 F |
| Safer Communities | 0.08 F | 0.00 | 0.08 F |
| Other | 0.06 F | 0.05 F | 0.01 F |
| Total | 0.12 F | 0.05 F | 0.07 F |

There were no SIGNIFICANT business as usual movements between Quarter 2 and Quarter 3 for the Portfolio.

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Quarter 3 £M | COVID-19 Pressures Quarter 2 £M | COVID-19 Pressures Movement from Quarter 2 £M |
|---------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------------------|
| Bereavement Services | 0.48 A | 0.46 A | 0.02 A |
| Port Health & Trading Standards | 0.15 A | 0.15 A | 0.00 |
| Registration Services | 0.41 A | 0.45 A | 0.04 F |
| Stronger Communities | 0.20 A | 0.04 A | 0.16 A |
| Total | 1.23 A | 1.10 A | 0.13 A |

There were no SIGNIFICANT COVID-19 pressures movements between Quarter 2 and Quarter 3 for the Portfolio.

COVID-19 Government Grants

Annex 1.2

| Grant Name | General Grant support for COVID-19 £M | Specific grant i.e. to support individual service or initiative £M | SCC to administer and allocate to third party £M | Total £M |
|----------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------|-------------|
| Local Authority support tranche 1 | 7.40 | | | 7.40 |
| Local Authority support tranche 2 | 6.99 | | | 6.99 |
| Local Authority support tranche 3 | 2.49 | | | 2.49 |
| Local Governemnt tranche 4 | 6.05 | | | 6.05 |
| Fess and charges losses compensation tranche 1 | 2.97 | | | 2.97 |
| Rough Sleepers | | 0.01 | | 0.01 |
| Local Outbreak planning, for test and trace | | 1.57 | | 1.57 |
| Emergency Active Travel Funding tranche 1 | | 0.25 | | 0.25 |
| Reopening High Streets Safely Fund | | 0.23 | | 0.23 |
| New Burdens assessment | | 0.17 | | 0.17 |
| Additional school and college transport capacity funding | | 0.15 | | 0.15 |
| Next Steps Accommodation Programme Launch | | 0.17 | | 0.17 |
| Compliance and enforcement activity | | 0.15 | | 0.15 |
| Contain Outbreak Management Fund | | 2.02 | | 2.02 |
| Winter Funding for Rough Sleepers | | 0.03 | | 0.03 |
| Active Travel Fund tranche 2 | | 0.98 | | 0.98 |
| Home to School Transport tranche 2 | | 0.20 | | 0.20 |
| Home to School Transport tranche 3 | | 0.25 | | 0.25 |
| New Burdens C Tax Hardship Fund and BR reliefs | | 0.04 | | 0.04 |
| Rough Sleeping Drug & Alcohol Treatment Grant 2020/21 | | 0.47 | | 0.47 |
| New Burdens Funding | | 0.08 | | 0.08 |
| Contain Outbreak Management Fund 2 Dec - 29 Dec | | 0.58 | | 0.58 |
| Business Rates Relief | | | 22.56 | 22.56 |
| BEIS Business Support Grants for Small Business, Retail, Hospitality and Leisure | | | 43.74 | 43.74 |
| Adult Social Care infection control fund round 1 | | | 2.03 | 2.03 |
| Local Authority Discretionary Grant Fund (LADGF) | | | 2.19 | 2.19 |
| ASC infection control fund round 2 | | | 2.19 | 2.19 |
| Additional Restrictions Grant (ARG) | | | 5.05 | 5.05 |
| Local Restrictions Support Grant (Closed) 3 Nov - 2 Dec | | | 3.97 | 3.97 |
| Christmas grant for 'wet-led pubs' | | | 0.08 | 0.08 |
| Local Restrictions Support Grant (Closed) 2 Dec - 19 Dec | | | 0.03 | 0.03 |
| Local Restrictions Support Grant (Open) 2 Dec - 19 Dec | | | 0.60 | 0.60 |
| Additional Restrictions Grant (ARG) top up | | | 2.24 | 2.24 |
| Closed Business Lockdown Payment | | | 11.92 | 11.92 |
| Closed Addendum Payment | | | 5.96 | 5.96 |
| Social Care Workforce | | | 0.55 | 0.55 |
| Adult Social Care - Rapid Testing | | | 0.51 | 0.51 |
| Hardship Fund for economically vulnerable households | | | 2.58 | 2.58 |
| Food and essential supplies | | | 0.33 | 0.33 |
| Clinically Extremely Vulnerable Grant 5 Nov - 2 Dec | | | 0.15 | 0.15 |
| Self Isolation Payments Funding | | | 0.24 | 0.24 |
| COVID Winter Grant Scheme | | | 0.90 | 0.90 |
| Test and Trace Support Payment | | | 0.06 | 0.06 |
| | 25.90 | 7.33 | 107.89 | 141.12 |

The Local Authority general support has not be allocated to specific services but is held centrally

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Treasury Management

Borrowing and Investments

1. The table below shows the year's opening balance of borrowing and investments, current levels and those predicted for year-end. Forecast borrowing is currently based on month 9 capital monitoring and will be subject to review during the year.

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority continued its strategy of keeping borrowing and investments below their underlying levels in order to reduce risk and make a net saving.

2.

| | 31-Mar-20 Actual £M | 31-Mar-20 Average % | 31-Dec-20 Actual £M | 31-Dec-20 Average % | 31-Mar-21 Forecast £M | 31-Mar-21 Forecast % |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|----------------------------|
| Long Term Borrowing | | | | | | |
| Public Works Loan | 257.87 | 2.88 | 237.35 | 2.69 | 277.70 | 2.72 |
| LOBO Loans from Banks | 9.00 | 4.89 | 9.00 | 4.86 | 9.00 | 4.87 |
| | 266.87 | 2.95 | 246.35 | 2.72 | 286.70 | 2.79 |
| Short Term Borrowing | | | | | | |
| Other Local Authorities | 10.00 | 0.92 | 0.00 | 0.27 | 10.00 | 0.82 |
| Other | 0.36 | 0.92 | 0.36 | 0.27 | 0.36 | 0.82 |
| Total External Borrowing | 277.23 | 2.85 | 246.71 | 2.72 | 297.06 | 2.74 |
| Other Long Term Liabilities | | | | | | |
| PFI Schemes | 54.00 | 9.01 | 52.48 | 8.82 | 50.96 | 9.16 |
| Deferred Debt Charges (HCC) | 13.83 | 2.66 | 13.64 | 2.61 | 13.46 | 2.15 |
| Total Gross External Debt | 345.06 | 3.87 | 312.84 | 4.08 | 361.48 | 3.73 |
| Investments: | | | | | | |
| Managed In-House | | | | | | |
| Government & Local Authority | 0.00 | 0.00 | (10.00) | 0.10 | | |
| Cash (Instant access) | (31.11) | 0.34 | (29.33) | 0.01 | (10.00) | 0.03 |
| Cash (Notice Account) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Long Term Bonds | (3.01) | 5.30 | (3.01) | 5.30 | (3.00) | 5.30 |
| Managed Externally | | | | | | |
| Pooled Funds (CCLA) & Shares | (27.02) | 4.35 | (27.00) | 3.52 | (27.02) | 3.00 |
| Total Investments | (61.15) | 4.44 | (69.34) | 3.51 | (40.02) | 2.43 |
| Net Debt | 283.91 | | 243.50 | | 321.46 | |

3. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is a current estimated increase in net borrowing of £37.55M for the year, this is less than previously reported as a number of schemes have been deferred.

4. The interest cost of financing the council's long term and short term loan debt is charged to the general fund revenue account and is detailed below together with a summary of performance to date.

Borrowing

5. The forecast cost of financing the council's loan debt is £15.06M of which £4.94M relates to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.

| | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. | <p>In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years.</p> <p>Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing (only after a detailed application from the section 151 officer).</p> <p>As part of the borrowing process authorities will now be required to submit detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151.</p> <p>The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.</p> |
| 7. | <p>Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties. Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.</p> |
| 8. | <p>As a result of these changes the Authority is currently reviewing its capital programme and may consider the cancellation of planned purchases of assets primarily for yield so as to retain access to the PWLB, the figures presented in this report exclude the previously planned expenditure on the Property investment Fund.</p> |
| 9. | <p>Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December after the reduction in PWLB borrowing rates.</p> <p>If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.</p> |
| 10. | <p>Short term interest rates have remained low and are likely to do so for the remainder of the year and offer good value, which we will utilise to fund any further borrowing needs in the year, unless an opportunity arises to secure a long term loan at advantageous rates or to provide certainty for the portfolio.</p> <p>Although we currently do not have any short term debt, we anticipate borrowing from February onwards to replace maturing long term debt, expected reduction in reserves and to fund the forecast capital programme for the year, until a decision is taken with regards to long term borrowing. Any increase in short term borrowing costs will be offset by a reduction in long term costs. This is later than previously reported as cash flows have remained higher than expected.</p> |
| | <p><u>Investment</u></p> |
| 11. | <p>The initial reaction to the COVID crisis in March meant that short term liquidity became difficult and Government sought to assist cash flow by providing up front funding as far as possible,</p> |

| | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>both in terms of the grants to businesses administered by the Council on its behalf and the funding to the local authority itself (under the business rates retention scheme). As a result of this grant funding year end investment balances were higher than expected and have remained so during the year to date but are expected to fall to an estimated £40M by the end of the year, as we have a number of debt maturities and an ongoing capital programme, but this will be dependent on actual capital spend and movement in balances. Investment balances have ranged between £114M and £61M during the year and are currently £69M.</p> <p>Continued downward pressure on short-dated cash brought net returns on money market funds to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term but the possibility cannot be ruled out.</p> <p>The overnight, 1- and 2-week deposit rates on Debt Management Account Deposit Facility (DMADF) deposits have dropped below zero percent on occasion and would only be used as a last resort to ensure security of funds.</p> <p>This supports our decision to only borrow for cash flow purposes at this stage as savings on borrowing costs more than offset the loss on short term investments.</p> <p>The impact of COVID-19 will continue during the year and will be reported at each quarter and as part of Treasury Reports to Governance Committee.</p> |
| | <p><u>External Managed investments</u></p> |
| 12. | <p>The council has invested £27M in property funds as an alternative to buying property directly. As previously reported these funds offer the potential for enhanced returns over the longer term but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments.</p> <p>Because these funds have no defined maturity date but are usually available for withdrawal after a notice period (90 days), their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.</p> |
| 13. | <p>Like many other property funds, dealing (i.e. buying or selling units) in the fund was suspended by the fund in March 2020. The lack of property transactions meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established. Since then conditions in the property market have stabilised and valuation clarity and certainty have improved, and the dealing suspension was lifted in September 2020.</p> |
| 14. | <p>Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.</p> |
| 15. | <p>During 2019/20 this investment returned £1.2M at an average yield of 4.4% against the initial investment, however since the onset of the COVID-19 pandemic and the current global economic environment, the value of the fund fell to £26.47M at 31 March 2020 a reduction of £0.53M against the original investment.</p> |

This trend has continued into 2020/21 and the fund is currently valued at £25.37M, £1.63M lower than original investment. This notional “loss” will only be a cost to the Authority at the point the investment is sold as the Authority is using the alternative fair value through profit and loss (FVPL) accounting and can defer the funds’ fair value losses to the Pooled Investment Fund Adjustment Account until 2023/24, by which time it is anticipated that the global economic environment will have improved.

Future income is also expected to be lower than in 2019/20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty has improved the economic forecast it will take time to recover from the impact of the pandemic.

The dividend for October to December has been boosted by a significant level of one-off receipts resulting in an enhanced payment of over £40k more than the previous two quarters.

The estimated return for the year is now expected to be about 95% of that for 2019/20, £1.1M at an average yield of 4.16% against the initial investment.

Financial Review and Outlook

16. A summary of the external factors, which sets the background for Treasury, as provided by the council’s treasury advisors, Arlingclose Ltd, is summarised below. The low for longer interest rate outlook theme that has been at the core of the recommended strategic advice for over a decade remains.

| | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Arlingclose Central Case | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| Downside risk | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |

17. The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term. Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.

18. Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages. The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.

19. Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.

20. Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations.

There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the deployment of vaccines and the impact of UK leaving the EU.

| | |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21. | <p>Arlingclose expects Bank Rate to remain at the current 0.10% level. The central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.</p> <p>Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period comes to an end.</p> |
| 22. | <p>Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.</p> |
| <p><u>Credit background</u></p> | |
| 23. | <p>After rising in late October/early November, credit default swap spreads declined over the remaining period of the calendar year to broadly pre-pandemic levels and the gap in spreads between UK ringfenced and non-ringfenced entities remained. At the end of the period Barclays Bank Plc was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The ringfenced banks were trading between 33 and 36bps.</p> <p>During the period Moody's downgraded the UK sovereign rating to Aa3 with a Stable outlook which then impacted a number of other UK institutions, banks and local government. These included Cornwall Council and Guildford BC which were downgraded to Aa3. Transport for London, Aberdeen CC, Lancashire CC, Lloyds Bank and HSBC Bank downgraded to A1 and Warrington BC was downgraded to A2.</p> |
| 24. | <p>While the approval of two coronavirus vaccines is a credit positive, there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.</p> |
| <p><u>Investment Performance</u></p> | |
| 26. | <p>The council's advisors undertake quarterly investment benchmarking across its client base. As reported previously our portfolio was more diversified and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we will see a fall in suitable instruments. With this in mind, and following discussions with our advisors, it was decided to move more into property funds, which are a longer term investment, and to short term investments for cash flow purposes.</p> |
| 27. | <p>Our current investments in bonds is now £3M following maturities in 2019/20 and we maintained the property funds at £27M, with all other cash being placed in short term deposits as shown in paragraph 2.</p> |
| 28. | <p>As detailed in paragraph 11 our cash balances have continued to be higher than usual. As a result, we had £39M in short term investment which is above our normal working balances. Our target is to reduce this to a £10M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.</p> |

| | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 29. | <p>Investments managed internally are currently averaging a return of 0.41% which is higher than the average of 0.16% whilst still maintaining the same average credit rating of A-. Total income return at 1.81% is also higher than the average for both unitary (0.78%) and LA's (0.77%).</p> <p>However due to a fall in the capital value of our external funds of -4.89% (an improvement from last quarter at -6.72%) our total investment return at -0.04% is lower than that for the average LA's (-0.00%) but better than the average unitary (-0.24%) across Arlingclose's client base, but as previously reported it is the income return at 4.12% on NAV (Net Asset Value) that is the driver to invest plus they are deemed less risky than buying individual properties and do not constitute capital spend.</p> |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

KEY FINANCIAL RISKS

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

| LIKELIHOOD (Probability) | | |
|--------------------------|------|---------------------------------------------|
| 5 - Very Likely | >95% | Is expected to occur in most circumstances |
| 4 - Likely | ↑ | Will probably occur in most circumstances |
| 3 - Possible | 50% | Might occur at some time |
| 2 - Unlikely | ↓ | Could occur at some time |
| 1 - Very Unlikely | <5% | May only occur in exceptional circumstances |

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

• Robustness of estimates

| Key Financial Risk | INHERENT RISK | | Comments/Mitigating Actions in place | RESIDUAL RISK | |
|-------------------------------------------------------------------------------------------------------------------------|---------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| | Likelihood | Impact | | Likelihood | Impact |
| FE1. Interest rates are underestimated. | Likely | Major | <ul style="list-style-type: none"> • PWLB rates reduced by 1% for all new standard rate borrowing and by 0.8% for certainty rate loans in Spending Review 2020. Rates were discounted by 1% for new HRA loans in March 2020 Budget. • Prudent estimates are made around future rates when costing the financing of the capital programme. • Market intelligence provided by Treasury Management advisors. • Treasury Management Strategy is aligned with CIPFA Code and MHCLG Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return. | Possible | Significant |
| FE2. Existing fees and charges: Projected levels of income within the period are not achieved and/or maintained. | Possible | Significant | <ul style="list-style-type: none"> • Fees and charges have been reviewed as part of the business planning process. If there are 'in year' shortfalls these form part of the budget monitoring processes. • Loss of income from fees and charges is forecast for 2020/21 due to the impact of COVID-19 measures and economic downturn. This will be mitigated by the Government scheme to fund 75p in every £1 lost over and above a 5% budget threshold. This does not apply to commercial activities. The compensation scheme is being continued for the first quarter of 2021/22. | Possible | Significant |
| FE3. New income streams: Projected levels of income within the period are not achieved. | Possible | Significant | <ul style="list-style-type: none"> • Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop and exit from the European Union that these levels of income will not be achieved. • Higher risk as it is based on new sources of income. • Implementation of new income generation proposals has been delayed due to the impact of COVID-19 and economic downturn. | Possible | Significant |
| FE4. Volatility of Business Rates funding given the uncertainty around impact of successful appeals. | Likely | Major | <ul style="list-style-type: none"> • The appeals provision has been reviewed and updated in light of known current appeals/challenges and potential threats and will be reviewed on a regular basis. • Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact. • The appeals window for the 2010 rating list has been closed. • More appeals may be forthcoming as a consequence of measures to control COVID-19. | Possible | Significant |

- **Robustness of estimates**

| Key Financial Risk | | INHERENT RISK | | Comments/Mitigating Actions in place | RESIDUAL RISK | |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| | | Likelihood | Impact | | Likelihood | Impact |
| FE5. | Increase in demand led spending pressures (including impact of Welfare Reform, social care, safeguarding) over and above the current budget provision. | Possible | Major | <ul style="list-style-type: none"> • Annual budget setting process developed in consultation with service managers • Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to EMT and Cabinet (Quarterly). • Action plans to address any significant in year budget variances are agreed with EMT with the status of the agreed actions reported to EMT on a monthly basis • Action plans intended to manage/reduce the number of Looked After Children | Possible | Significant |
| FE6a. | Third party provider costs will increase as a result of the introduction of the National Living Wage | Almost certain | Significant | <ul style="list-style-type: none"> • As each contract is procured any impact of this will need to be assessed and addressed to ensure services are procured within budget. | Possible | Significant |
| FE6b. | Third party provider costs increase as result of SCC having to 'step in' in the event of potential provider failure (social care providers) | Possible | Significant | <ul style="list-style-type: none"> • ICU contract monitoring arrangements and general market oversight and intelligence | Unlikely | Moderate |
| FE7. | Legal challenge to savings proposals that could result in the proposal being either discontinued or revised. | Possible | Significant | <ul style="list-style-type: none"> • Robust budget consultation process in place. | Unlikely | Moderate |
| FE8. | Pressure on returns from investment properties in both the short and longer term. | Possible | Major | <ul style="list-style-type: none"> • There is a full and robust process around the financial and legal analysis of the individual investments. • Investments are diversified between sectors. | Possible | Significant |
| FE9. | Voluntary sector is either unwilling or unable to support the delivery of certain services or activities | Possible | Major | <ul style="list-style-type: none"> • Review the overall expectation and co-ordination of the services required of the voluntary sector. • Consideration is given to this risk in deciding whether to design services around the voluntary sector | Possible | Significant |
| FE10. | The council's service delivery partners seek to exit an agreement or are no longer able to deliver the required service or the council seeks to reach an exit agreement. | Likely | Major | <ul style="list-style-type: none"> • Central Contracts Team monitors and work closely with the council's significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities. | Possible | Significant |
| FE11. | The Council may received reduced funding if Government make changes to the Local Government funding mechanism. Such changes may include removing the ring-fence for Public Health Grant and rolling it in to general funding. | Possible | Major | <ul style="list-style-type: none"> • The Council will plan for any proposed changes through the Medium Term Financial Strategy process. | Possible | Major |

- Adequacy of proposed financial reserves

| Key Financial Risk | | INHERENT RISK | | Comments/Mitigating Actions | RESIDUAL RISK | |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| | | Likelihood | Impact | | Likelihood | Impact |
| FR1. | Business Rate Retention & Council Tax Growth - the council fails to collect, retain and grow business rate income | Possible | Major | <ul style="list-style-type: none"> • The assumption built into the MTFS is based on an annualised CPI Rate reflecting the uplift set by government. The government has frozen the business rate multiplier for 2021/22, however councils will be compensated for this via grants. • The current MTFS includes assumptions on growth which have been reviewed compared with past expectations as factored into budget plans. This has been undertaken in conjunction with the Growth service team and Business rate collection team, including pipeline developments and their assumed operation dates. This will be monitored on a frequent basis as part of the standard monitoring. • Reserves can be used to offset the impact of shortfalls in estimated business rates, giving time to adapt the budget and service planning. | Possible | Significant |
| FR2. | Delivery of all of the agreed savings is not achieved. | Possible | Critical | <ul style="list-style-type: none"> • Progress and delivery of the overall Programme and individual projects is monitored at Executive Director level, by EMT, with any non achievement forming part of the normal budget monitoring action plan process. • EMT review the validity and achievability of projects and provide approval (or not) to projects | Unlikely | Major |
| FR3. | The Government could impose a lower Council Tax referendum threshold and/or reduce or remove the Adult Social Care Levy | Possible | Significant | <ul style="list-style-type: none"> • The 2020/21 budget included no increase in the general Council Tax and the MTFS agreed in February 2020 assumed a 1.99% increase in Council Tax for the years 2021/22 and 2022/23. The Government proposed a referendum limit of a 2% increase on general Council Tax in the 2021/22 Provisional Local Government Finance Settlement. • The Adult Social Care Levy was introduced as part of the Autumn 2015 Spending Review and allowed local authorities with social care responsibilities to increase Council Tax by a further 6% over the 3 years 2017/18 - 2019/20 (3% was applied in 17-18 & 18-19 and 0% in 19-20). The Government consulted on a further 2% Levy in the 2020/21 Provisional Settlement and the Council applied this increase instead of an increase in general Council Tax. In the 2021/22 Provisional Settlement the Government consulted on a further 3% Levy, with the option to defer part or all of this increase to 2022/23. • Given the national recognition of pressures within the Adult Social Care system it is unlikely that the ASC Levy will be removed or reduced. | Unlikely | Significant |
| FR4. | Slippage in capital receipts (not accompanied by a slippage in spend). | Possible | Significant | <ul style="list-style-type: none"> • Non-receipt of any planned income will require a permanent draw from reserves, additional borrowing or for savings to be found in the capital programme. • Impact reflects the cost of borrowing in short term (the interest payments). | Possible | Moderate |
| FR5. | If building inflation was to exceed general inflation over a prolonged period, this would have a significant adverse impact on HRA balances and, in turn, the business model in respect of the redevelopment and refurbishment of the SCC Housing stock. | Possible | Major | <ul style="list-style-type: none"> • Surpluses are liable to change annually, either favourably or not, and this will be reflected the annual review of stock investment needs and estimated unit rates. • Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget | Possible | Significant |
| FR6. | The level of funds within the internal insurance provisions is inadequate to meet current or future demand | Possible | Significant | <ul style="list-style-type: none"> • The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds. • The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis. | Unlikely | Significant |

- Adequacy of proposed financial reserves

| Key Financial Risk | | INHERENT RISK | | Comments/Mitigating Actions | RESIDUAL RISK | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| | | Likelihood | Impact | | Likelihood | Impact |
| FR7. | Ad hoc or unforeseen events / emergencies. | Possible | Critical | <ul style="list-style-type: none"> • The Council's Reserves may be utilised in respect of the financial impact of such an event. • Subject to the nature of the event alternative sources of funding might be available e.g. Bellwin Scheme. • The Government has allocated 4 tranches of un-ringfenced Emergency Funding to local authorities to meet COVID-19 pressures and confirmed funding will be available to meet some fees and charges income losses and some irrecoverable tax losses, as well as providing some ring-fenced grant funding for specific measures e.g. testing and tracing. • Use of reserves is being considered to meet COVID-19 expenditure pressures/income losses not funded by Government. | Possible | Major |
| FR8. | The cost of implementing the Care Act 2014 is greater than anticipated. | Unlikely | Significant | <ul style="list-style-type: none"> • Current assumption is for the cost of this new burden to be met by the funding allocation provided within the Better Care Fund and the new Carers and Care Act Implementation grant • The main implications of the Care Act have been deferred beyond 2021/22. | Unlikely | Significant |
| FR9. | CCG could seek to reduce its level of contribution to the 'pooled budgeting' arrangement with SCC | Possible | Major | <ul style="list-style-type: none"> • Ongoing relationship and dialogue with CCG re shared objectives and outcomes. | Unlikely | Significant |
| FR10. | The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms | Possible | Significant | <ul style="list-style-type: none"> • The impact of Welfare Reform on all service areas will be difficult to monitor or to mitigate against. | Possible | Significant |
| FR11. | Inflation increases at a higher rate than anticipated | Possible | Significant | <ul style="list-style-type: none"> • Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2020/21. CPI is currently running at 0.6%, well below the anticipated level. • Market intelligence provided by Arlingclose - independent treasury advisors • An amount is included in the MTFs to cover key elements of inflation. • Beyond this provision, it would be managed as an 'in year' issue and services would be expected to absorb the difference. | Unlikely | Moderate |
| FR12. | Exiting the European Union - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income. | Likely | Significant | <ul style="list-style-type: none"> • National and local modelling in respect of the future approach to business rate retention will need to reflect changes in the financial environment. • There may be either pressure or incentives for non UK owned business to move operations back to within an EU country. • Treasury Management advisors are regularly updating the Council on the economic impact of exiting the European Union, the strength of the pound, inflation and interest rates. | Likely | Significant |
| FR13. | There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, systems and processes across service areas within the organisation | Possible | Significant | <ul style="list-style-type: none"> • A Projects and Change Team has been established. A full programme management process is in place including planning and risk assessment, with significant support to major projects. | Unlikely | Significant |
| FR14. | New accounting rules for financial investments may result in adverse valuation movements being charged to the General Fund in the year that they occur. | Possible | Significant | <ul style="list-style-type: none"> • New accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold. The Risk Reserve will be used to manage the volatility that the timing difference may cause. • The Government has put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23. | Unlikely | Significant |

- Adequacy of proposed financial reserves

| Key Financial Risk | | INHERENT RISK | | Comments/Mitigating Actions | RESIDUAL RISK | |
|--------------------|-------------------------------|----------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------|
| | | Likelihood | Impact | | Likelihood | Impact |
| FR15 | Impact of COVID-19 on budgets | Almost certain | Critical | COVID-19 is having ongoing financial effects, as well as introducing significant uncertainty for future financial projects. Major income streams are likely to be impacted, such as council tax and business rates, as well as numerous service costs rising as demand increases e.g. for social care. The situation is being closely monitored each month, by the finance team and the impact captured. The Council set a prudent budget in Feb 2020, with inbuilt financial resilience from a solid reserves position and with corporate contingency budget. The MTFS will be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates. Corporately, a further risk register is maintained for all COVID-19 related risks, including financial, which is monitored frequently | Almost certain | Major |

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Agenda Item 8

Appendix 6

ANNEX 1.5

FINANCIAL HEALTH INDICATORS – QTR 3 Prudential Indicators Relating to Treasury

| | <u>Maximum</u> | <u>Forecast</u> | <u>Status</u> |
|-----------------------------------|----------------|-----------------|---------------|
| Maximum Level of External Debt £M | £770M | £390M | Green |
| As % of Authorised Limit | 100% | 50.65% | Green |

| | <u>Maximum</u> | <u>Highest YTD</u> | <u>Status</u> |
|-----------------------------------------|----------------|--------------------|---------------|
| Authorised Limit for external debt £M | £770M | £360M | Green |
| Operational Limit for external debt £M | £730M | £360M | Green |
| Maximum external borrowing year to date | | £292M | Green |
| Limit of fixed interest debt % | 100% | 84.9% | Green |
| Limit of variable interest debt % | 50% | 17.4% | Green |
| Limit for Non-specified investments £M | £100M | £33M | Green |

| Other Treasury Performance Indicators | <u>Target</u> | <u>Actual YTD</u> | <u>Status</u> |
|----------------------------------------------|---------------|-------------------|---------------|
| Average % Rate Long Term New Borrowing | 3.00% | N/A | Green |
| Average % Rate Existing Long Term Borrowing | 3.50% | 2.75% | Green |
| Average Short Term Investment Rate - Cash | 0.06% | 0.13% | Green |
| Average Short Term Investment Rate – Fixed | 0.06% | 0.10% | Green |
| Average Long Term Investment Rate - Bonds | 2.00% | 5.30% | Green |
| Average Return on Property Fund | 3.00% | 3.52% | Green |

Minimum Level of General Fund Balances

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

Income Collection

| | <u>2020/21</u> <u>Target</u> | <u>Qtr3</u> <u>YTD</u> | <u>Status</u> |
|------------------------------------------|---------------------------------|---------------------------|---------------|
| Average days sales outstanding | <60 | 60 | Amber |
| Outstanding debt more than 12 months old | <15% | 19.17% | Red |
| Debt written off | <2% | 0.16% | Green |

Creditor Payments

| | <u>2020/21</u> <u>Target</u> | <u>Qtr3 YTD</u> | <u>Status</u> |
|---------------------------------------------------|---------------------------------|-----------------|---------------|
| Average payment days | 14 | 14.53 | Amber |
| Valid and undisputed invoices paid within 30 days | 95% | 84.45% | Red |

Tax Collection rate

| | <u>2019/20</u> <u>Actual</u> <u>Rate</u> | <u>Target</u> <u>Collection</u> <u>Rate</u> | <u>Qtr 3 Collection Rate</u> | | <u>Status</u> |
|-----------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------|-------------------------|----------------------|
| | | | <u>Last Year</u> | <u>This Year</u> | |
| Council Tax | 94.4% | 93.10% | 80.56% | 78.53% | Amber |
| National Non Domestic Rates | 97.6% | 97.56% | 84.05% | 79.91% | Amber |

ANNEX 1.6

HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2020/21

The Housing Revenue Account (HRA) is currently forecast to have a surplus of **£0.18M** at year-end on business as usual activities, which represents a percentage surplus against budget of **0.2%**. The HRA business as usual forecast variance has moved favourably by **£0.45M** from the position reported at Quarter 2.

In addition, **£1.29M** of pressures arising from the COVID-19 pandemic are forecast for the year.

| | Budget Dec 2020 £M | BAU* Annual Forecast Dec 2020 £M | BAU* Forecast Variance Sept 2020 £M | BAU* Forecast Variance Sept 2020 £M | BAU* Variance Movement from Sept 2020 £M |
|-------------------------------------|---------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------|
| Expenditure | | | | | |
| Responsive repairs | 13.26 | 14.16 | 0.90 A | 1.32 A | 0.42 F |
| Housing investment | 5.19 | 4.19 | 1.00 F | 0.80 F | 0.20 F |
| Rents payable | 0.10 | 0.10 | 0.00 | 0.00 | 0.00 |
| Debt management | 0.09 | 0.09 | 0.00 | 0.00 | 0.00 |
| Supervision & management | 22.52 | 22.32 | 0.20 F | 0.20 F | 0.00 |
| Interest & principal repayments | 5.09 | 4.70 | 0.39 F | 0.00 | 0.39 F |
| Depreciation | 20.47 | 20.47 | 0.00 | 0.00 | 0.00 |
| Direct revenue financing of capital | 8.89 | 8.89 | 0.00 | 0.00 | 0.00 |
| Total Expenditure | 75.60 | 74.92 | 0.69 F | 0.32 A | 1.01 F |
| Income | | | | | |
| Dwelling rents | (70.24) | (70.29) | 0.05 F | 0.05 F | 0.00 |
| Other rents | (1.22) | (1.22) | 0.00 | 0.00 | 0.00 |
| Service charge income | (3.25) | (2.47) | 0.78 A | 0.00 | 0.78 A |
| Leaseholder service charges | (0.88) | (1.10) | 0.22 F | 0.00 | 0.22 F |
| Interest received | (0.01) | (0.01) | 0.00 | 0.00 | 0.00 |
| Total Income | (75.60) | (75.09) | 0.51 A | 0.05 F | 0.56 A |
| (SURPLUS)/DEFICIT | 0.00 | (0.18) | 0.18 F | 0.27 A | 0.45 F |

NB Numbers are rounded

*Business as usual

The SIGNIFICANT business as usual movements between Quarter 2 and Quarter 3 for the Portfolio are:

| Service Area | Movement in BAU Forecast Variance Between Quarter 2 and Quarter 3 £M | Explanation |
|---------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Responsive Repairs | 0.42 F | There has been a £0.42M favourable movement since Quarter 2 which reflects a further analysis of recent data and spend patterns which shows an improved position due to relaxing of restrictions over the summer and autumn. Recent tightening of COVID-19 related restrictions mean that this area remains under close review. |
| Cyclical Maintenance | 0.20 F | There has been a £0.2M favourable movement since Quarter 2 which reflects the ongoing review in relation to current spend patterns and property access and variations in working practices due to COVID-19. |
| Interest & Principal Repayments | 0.39 F | Since Quarter 2 a review of the HRA capital programme delivery has resulted in a reduced borrowing figure to reflect current spend forecasts, which has a resultant lower interest liability. |
| Service Charge Income | 0.78 A | A review of all property types affected by service charge increases has shown an overestimation in expected in year service charge income in relation to wardens in walk-up blocks which is now reflected in the Quarter 3 forecast. |
| Leaseholder Service Charges | 0.22 F | Following a review of current in year activity so far, Quarter 3 monitoring has found that income from repairs and maintenance work carried out on leaseholder properties is now expected to exceed budgeted income |

A summary of the Portfolio COVID-19 pressures and movement since Quarter 2 is shown in the table below:

| Service Area | COVID-19 Pressures Qtr 3 | COVID-19 Pressures Qtr 2 | COVID-19 Pressures Movement from Qtr 2 |
|--------------------------|---------------------------------|---------------------------------|-----------------------------------------------|
| | £M | £M | £M |
| Supervision & Management | 1.25 A | 1.25 A | 0.00 |
| Dwelling Rents | 0.04 A | 0.04 A | 0.00 |
| Total | 1.29 A | 1.29 A | 0.00 |

There were no **SIGNIFICANT** COVID-19 pressures movements between Quarter 2 and Quarter 3.

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ANNEX 1.7

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2021

| | Current Budget 2020/21 £M | Forecast 2020/21 £M | Variance Adverse / (Favourable) 2020/21 £M |
|-------------------------------------------------------------|------------------------------------|---------------------------|--------------------------------------------------------|
| Council Tax | | | |
| Total Council Tax Income | (124.42) | (121.11) | 3.31 |
| Total Council Tax Expenditure (incl. precepts) | 124.13 | 121.61 | (2.52) |
| Council Tax Deficit/(Surplus) for the Year | (0.30) | 0.50 | 0.79 |
| Council Tax Deficit/(Surplus) Brought Forward | 0.30 | 2.63 | 2.33 |
| Council Tax Deficit/(Surplus) Carried Forward | (0.00) | 3.13 | 3.13 |
| Business Rates | | | |
| Total Business Rates Income | (114.30) | (56.38) | 57.93 |
| Total Business Rates Expenditure | 114.81 | 113.35 | (1.46) |
| Business Rates Deficit/(Surplus) for the Year | 0.50 | 56.97 | 56.47 |
| Business Rates Deficit/(Surplus) Brought Forward | (0.50) | (0.68) | (0.18) |
| Business Rates Deficit/(Surplus) Carried Forward | 0.00 | 56.29 | 56.29 |
| Total Collection Fund (Surplus)/Deficit | 0.00 | 59.41 | 59.41 |
| Council Tax (Surplus)/Deficit | | | |
| Contribution (to)/ from SCC | | 2.65 | |
| Contribution (to)/ from HPA | | 0.36 | |
| Contribution (to)/ from F&RS | | 0.12 | |
| Council Tax Collection Fund Balance c/f | | 3.13 | |
| NDR (Surplus)/Deficit | | | |
| Contribution (to)/ from SCC | | 27.54 | |
| Contribution (to)/ from MHCLG | | 28.19 | |
| Contribution (to)/ from HF&R | | 0.56 | |
| NDR Collection Fund Balance c/f | | 56.29 | |
| Total SCC (Surplus)/Deficit | | 30.19 | |
| LESS: Grant estimated as due from Government (General Fund) | | (24.71) | |
| NET SCC deficit for future budget purposes at Qtr 3 | | 5.48 | |

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APPENDIX 2

| CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO DECEMBER 2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|--|------------------------|--------------------------|--------------------|---------------------|--------|--------|------|-----------------|-------|-------|------|-------------------------|-------|-------|------|-----------------------------|--------|--------|------|--------------------|--------|--------|--------|-----------------|------|------|------|----------------------|------|------|------|-----------------------------------|---------------|---------------|-------------|-------------------------|--------|--------|------|--------------------------------|---------------|---------------|-------------|
| 1. | Table 1 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £661.70M and £212.17M for the HRA. Details of changes made since the start of the year, totalling £5.84M can be found in annex 2.1. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;"></th> <th style="text-align: center;">Latest Programme £M</th> <th style="text-align: center;">Previous Programme £M</th> <th style="text-align: center;">Total Change £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td style="text-align: right;">107.16</td> <td style="text-align: right;">106.45</td> <td style="text-align: right;">0.71</td> </tr> <tr> <td>Culture & Homes</td> <td style="text-align: right;">19.96</td> <td style="text-align: right;">19.96</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Customer & Organisation</td> <td style="text-align: right;">20.31</td> <td style="text-align: right;">13.46</td> <td style="text-align: right;">6.84</td> </tr> <tr> <td>Finance & Income Generation</td> <td style="text-align: right;">201.27</td> <td style="text-align: right;">201.27</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Green City & Place</td> <td style="text-align: right;">303.15</td> <td style="text-align: right;">306.05</td> <td style="text-align: right;">(2.90)</td> </tr> <tr> <td>Health & Adults</td> <td style="text-align: right;">0.62</td> <td style="text-align: right;">0.62</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Stronger Communities</td> <td style="text-align: right;">9.25</td> <td style="text-align: right;">9.25</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Total GF Capital Programme</td> <td style="text-align: right; border-top: 1px solid black;">661.70</td> <td style="text-align: right; border-top: 1px solid black;">657.05</td> <td style="text-align: right; border-top: 1px solid black;">4.65</td> </tr> <tr> <td>Housing Revenue Account</td> <td style="text-align: right;">212.17</td> <td style="text-align: right;">210.98</td> <td style="text-align: right;">1.19</td> </tr> <tr> <td>Total Capital Programme</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">873.87</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">868.03</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">5.84</td> </tr> </tbody> </table> <p style="font-size: small; margin-top: 5px;">NB. there may be small arithmetic variations in the table as figures have been rounded</p> | | | | Latest Programme £M | Previous Programme £M | Total Change £M | Children & Learning | 107.16 | 106.45 | 0.71 | Culture & Homes | 19.96 | 19.96 | 0.00 | Customer & Organisation | 20.31 | 13.46 | 6.84 | Finance & Income Generation | 201.27 | 201.27 | 0.00 | Green City & Place | 303.15 | 306.05 | (2.90) | Health & Adults | 0.62 | 0.62 | 0.00 | Stronger Communities | 9.25 | 9.25 | 0.00 | Total GF Capital Programme | 661.70 | 657.05 | 4.65 | Housing Revenue Account | 212.17 | 210.98 | 1.19 | Total Capital Programme | 873.87 | 868.03 | 5.84 |
| | Latest Programme £M | Previous Programme £M | Total Change £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Children & Learning | 107.16 | 106.45 | 0.71 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Culture & Homes | 19.96 | 19.96 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Customer & Organisation | 20.31 | 13.46 | 6.84 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance & Income Generation | 201.27 | 201.27 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Green City & Place | 303.15 | 306.05 | (2.90) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Health & Adults | 0.62 | 0.62 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stronger Communities | 9.25 | 9.25 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total GF Capital Programme | 661.70 | 657.05 | 4.65 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Housing Revenue Account | 212.17 | 210.98 | 1.19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Capital Programme | 873.87 | 868.03 | 5.84 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | SLIPPAGE AND REPHASING | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | <p>Slippage occurs where works are not expected to take place according to the provisions agreed in the capital programme. Re-phasing of capital expenditure is due to works being carried out sooner than anticipated, budget and funding is brought forward from future years to match the expenditure.</p> <p>Following a review to ensure that all projects are accurately profiled, and budgets are suitably aligned to anticipated works and spend, there is £6.24M of General Fund and £0.75M of HRA anticipated work in 2020/21 where work has slipped into later years. Details of schemes with major slippage and where any rephasing has been applied are provided in annex 2.3.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Table 2 below summarises resulting net slippage and rephasing by individual capital programmes. There is zero net effect to the budgets over the 5-year capital programme. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| <u>Table 2 – Net Slippage</u> | | Movement £M | Annex 2.3 Ref | |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------|------------------------------------|
| Children & Learning | | (1.62) | 1-4 | |
| Culture & Homes | | (1.60) | 5-6 | |
| Customer & Organisation | | (1.93) | 7-9 | |
| Finance & Income Generation | | 0.00 | | |
| Green City & Place | | (0.54) | 10 | |
| Health & Adults | | (0.07) | | |
| Stronger Communities | | (0.48) | 11 | |
| Total General Fund | | (6.24) | | |
| Housing Revenue Account | | (0.75) | 12 | |
| Total Capital Programme | | (6.99) | | |
| NB. there may be small arithmetic variations in the table as figures have been rounded | | | | |
| 2020/21 MONITORING POSITION | | | | |
| 4. | The performance of the capital programmes in 2020/21 is summarised in table 3, using budgets adjusted for slippage and re-phasing, compared with forecast spend. | | | |
| <u>Table 3 – Summary of the General Fund & HRA Capital Forecast 2020/21</u> | | | | |
| | Revised Programme £M | Forecast £M | Forecast Variance £M | Forecast Variance % |
| Children & Learning | 17.24 | 16.57 | (0.67) | (3.90) |
| Culture & Homes | 1.03 | 1.03 | 0.00 | 0.00 |
| Customer & Organisation | 6.20 | 6.20 | 0.00 | 0.00 |
| Finance & Income Generation | 51.27 | 1.27 | (50.00) | (97.52) |
| Green City & Place | 55.99 | 56.46 | (0.47) | 0.84 |
| Health & Adults | 0.15 | 0.15 | 0.00 | 0.00 |
| Stronger Communities | 1.96 | 1.87 | (0.10) | (5.04) |
| Total General Fund | 133.86 | 83.55 | (50.30) | (37.58) |
| Housing Revenue Account | 47.36 | 39.39 | (7.97) | (16.83) |
| Total Capital Programme | 181.21 | 122.94 | (58.28) | (32.16) |
| <u>Financed by</u> | | | | |
| *CR - GF Borrowing | (70.28) | (20.37) | (49.91) | (71.02) |
| *CR - HRA Borrowing | (8.35) | (6.55) | (1.80) | (21.55) |
| Capital Receipts | (17.76) | (17.12) | (0.64) | (3.62) |
| Direct Revenue Financing | (9.29) | (10.41) | 1.13 | 12.12 |
| Capital Grants | (46.06) | (45.85) | (0.21) | (0.46) |
| Contributions | (10.41) | (7.17) | (3.23) | (31.06) |
| HRA – MRA | (19.07) | (15.46) | (3.60) | (18.90) |

| | | | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|---------|---------|
| | Total Funding | 181.21 | 122.94 | (58.28) | (32.16) |
| | *CR – Council Resources NB there may be small arithmetic variations in the table as figures have been rounded | | | | |
| 5. | The General Fund programme is currently forecast to be £50.30M below the programmed spend and the HRA is £7.97M also below the agreed programmed spend. The reasons for this variance since the last report are detailed in Annex 2.2. The key factor on the General Fund has been the inability to progress the anticipated Property Investment Fund, with £50M in the programme but no spending. This is due to revised rules around borrowing for this purpose that means the scheme now needs to be reconsidered. The single biggest factor with the HRA is the acquisitions policy for buying back properties that were purchased under the Right to Buy scheme is currently under review which means any purchases have been put on hold, producing a £2.58M favourable position compared with agreed programme spend. | | | | |
| | COVID-19 and Capital Programme 2020/21 | | | | |
| 6. | When reviewing the capital programme to ensure that all projects are accurately profiled any delays as a result of COVID-19 have been considered. The impact of this has resulted in works now planned to be carried out later than anticipated. No service failures are expected as a result of these delays. | | | | |
| 7. | The capital programme will be reported to the February 2021 Council meeting on the budget, when any changes or additions to the capital programme are agreed and a regular review will be maintained on capital works to assess the impact of COVID-19 and any adjustment needed to the programme as a result. | | | | |
| | CAPITAL RESOURCES | | | | |
| 8. | The resources which can be used to fund the capital programme are as follows: <ul style="list-style-type: none"> • Central Government Grants and from other bodies • Contributions from third parties • Council Resources - Capital Receipts from the sale of HRA assets • Council Resources - Capital Receipts from the sale of General Fund assets • Revenue Financing • Council Resources – Borrowing | | | | |
| 9. | Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes. | | | | |
| 10. | 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 unringfenced. However, in 2020/21 these grants have been passported to these areas. | | | | |
| 11. | Annex 2.4 details the current level of available resources. This shows that the largest resource currently un-earmarked is S106 developer contributions. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process. | | | | |

| | |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12. | Following a review of the expected General Fund capital receipts an increase £0.05M is anticipated in 2020/21 since the last reported position. This is due to additional lease sales expected in 2020/21. |
| OVERALL CAPITAL PROGRAMME AND FINANCING | |
| 13. | The revised overall programme by year, including amendments that are being requested as part of this report and use of resources, can be found in annex 2.5. |
| 14. | The most significant amount of funding for the General Fund programme is provided by council resources, which at present, is mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funded by Major Repairs Allowance (direct revenue contribution). |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Annexes | |
| 1. | GF & HRA Programme Changes Since Last Reported Position. |
| 2. | GF & HRA Major Forecast Variance Changes Since Last Reported Position. |
| 3. | GF & HRA Slippage & Rephasing as at December 2020. |
| 4. | GF Capital Resources Available as at December 2020 |
| 5. | GF & HRA Revised 5 Year Programme and Use of Resources. |

ANNEX 2.1

GENERAL FUND & HRA: PROGRAMME AMENDMENTS SINCE LAST REPORTED POSITION

| Portfolio | Scheme | £M | *Council/Cabinet **Delegated Approval | Funding Source |
|--------------------------------------------------|----------------------------------------------------------|--------------------|---------------------------------------------|-------------------|
| <u>Additions to the Programme</u> | | | | |
| Children & Learning | Modular relocation & purchase from Springwell to Vermont | 0.21 | ** | Gov Grant |
| | Reconfiguration of Compass School Green Lane | 0.50 | ** | Gov Grant |
| | | <u>0.71</u> | | |
| Customer & Organisation | IT Equipment and Software Refresh | 7.34 | * | Council Resources |
| HRA | HRA IT Equipment and Software Refresh | 1.19 | * | Council Resources |
| <u>Reductions in the Programme</u> | | | | |
| Customer & Organisation | Smarter Ways of Working | (0.50) | * | Council Resources |
| Green City & Place | Bitterne Hub | (2.90) | * | Council Resources |
| Total Variations to the Overall Programme | | <u><u>5.84</u></u> | | |

£M

5.13

0.71

0.00

5.84

* - Approved By Council/Cabinet

** - Approved under Delegated Powers

^ - Require Approval (details in Annex 2.6)

Total Variations to the Overall Programme

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ANNEX 2.2

GF & HRA Major Forecast Favourable and Adverse Variance Since Last Reported Position

| | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Children & Learning |
| 1. | <p><u>St Marks School (Favourable £0.20M, increase of £0.20M since last reported position)</u></p> <p>The temporary modular school is required for an additional 9 weeks hire due delays in progression of the works as a result of COVID-19 working restrictions placed on the construction site. This will be a revenue cost and the capital budget will be reduced to reflect this.</p> |
| | Finance & Income Generation |
| 2. | <p><u>Property Investment Fund (Favourable £50.00M, increase of £50.00M since last reported position)</u></p> <p>Due to changes in the regulations on borrowing to investment and generate a yield that the Public Works Loans Board have issued there is no longer viable funding source for this scheme. This scheme will be removed from the capital programme as part of the capital programme budget update.</p> |
| | Green City & Place |
| 3. | <p><u>Additional Roads Programme Favourable £0.50M, increase of £0.50M since last reported position)</u></p> <p>Works carried out by Balfour Beatty have been identified as capital expenditure which were previously charged to revenue. To allow for the correct treatment in the final accounts of these costs these need to be charged to the capital programme. These costs will be offset in part by the gain/share from the partnership contract.</p> |
| | HRA |
| 4. | <p><u>Structural Works CG0178 - Favourable £0.77M, increase of £0.57M since the last reported position</u></p> <p>Works restarted in August and with a completion date of this financial year. Works backlogged as a COVID-19 shutdown will be carried out in 2021/22 and costs met from future years budgets.</p> |
| 5. | <p><u>Right to Buy - Satisfactory Purchase Scheme CG0119 - Favourable £2.58M, increase of £1.35M since the last reported position</u></p> <p>The acquisitions policy for buying back properties that were purchased under the Right to Buy scheme is currently under review which means any purchases have been put on hold. Once this review is completed agreed acquisitions will continue in 2021/22 and costs met from future years budgets.</p> |

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ANNEX 2.3

Major GF & HRA Slippage & Rephasing as at December 2020

| | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Children & Learning |
| 1. | <p><u>St Georges Expansion (Slippage of £0.07M from 2020/21, £1.54M from 2021/22 to £1.56M 2022/23 and £0.05M to 2023/24)</u></p> <p>At Q1 it was reported that further reprofiling is expected once the procurement strategy is finalised. This is now been finalised and a master project programme has been agreed with Education Services and the school. The cashflow has been updated based on this agreed programme and has resulted in a slippage from the current financial year to 2021/2022 with subsequent reprofiling into financial years 2022/23 and 2023/24.</p> |
| 2. | <p><u>Cantell School (Slippage of £0.2M from 2020/21 to 2021/22)</u></p> <p>All works were planned to be completed within the current financial year. However, part of these works has been deferred until 2021/2022 due to COVID-19 restrictions and budget has been slipped accordingly.</p> |
| 3. | <p><u>Mount Pleasant Junior Health & Safety Issues- Safe Guarding (Slippage of £0.21M from 2020/21 to 2021/22)</u></p> <p>Resourcing issues within the externally appointed design team have affected the completion and issue of tender documents. Due to a single tender return the completion of the tender review has also been delayed. The conclusion of the tender review, contract formation and the contractor mobilisation period will now extend into 2021/22.</p> |
| 4. | <p><u>Children's Services - Assessment Unit (slippage of £0.65M from 2020/21 to 2021/22)</u></p> <p>The service is currently reviewing the specification around the sort of care provision that is needed for Southampton children. This needs to consider the links with supporting foster carers out of hours, ensuring that children who may need shorter term engagement with a care unit to return to fostering have their needs met, and how the care provision links with partners offer best value. This project will therefore not commence works until 2021/22.</p> |
| | Culture & Homes |
| 5. | <p><u>City of Culture - VE Day (Slippage of £0.25M from 2020/21 to 2021/22)</u></p> <p>The project has been delayed as a result of the COVID-19 national restrictions throughout 2020, the Destination Management Plan (DMP) that the City of Culture visitor economy plan will feed from, has not been delivered. Discussions are now taking place with external sources to gain funding for DMP. The DMP will be completed in 2021/22</p> |
| 6. | <p><u>Art Gallery Roof (Slippage of £1.35M from 2020/21 to 2021/22)</u></p> <p>Work to this copper roof is now being combined with various copper roof repairs across the Guildhall as one project. A consultant brief has been drawn up and a consultant for the works will be appointed. It is anticipated that the Art Gallery copper roof work will commence in the spring/summer 2021, providing that the Art Gallery exhibitions calendar allows this.</p> |

| | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Customer & Organisation |
| 7. | <u>The Way we Work (Slippage of £1.00M from 2020/21 to 2021/22)</u> Due to the impact of COVID-19, planning for The Way we Work (formerly known as SWOW) has been delayed, therefore there will be no expenditure in this financial year and the budget is slipped to next year. |
| 8. | <u>The Way we Work (Civic Centre Upgrade) (Slippage of £0.50M from 2020/21 to 2021/22)</u> Phase 1 of the SWOW project was put on hold over the since the start of the pandemic, other than changes which enable social distancing. Plans for future works are linked to a review of the overall strategy for working environments post COVID-19. |
| 9. | <u>Client Case Management System (Slippage of £0.43M from 2020/21 to 2021/22)</u> COVID-19 has delayed the implementation of the new system. This coupled with the reduced performance of the developer in providing the system to the authority has meant the 'go live' date has now moved from the 1 st April 2021 to the 1 st December 2021. |
| | Green City & Place |
| 10. | <u>City Services - Depots (Slippage of £0.40M from 2020/21 to 2021/22)</u> The continuing impact of COVID-19 on the City Services team has meant that depot improvements are lower priority and therefore works will slip into 2021/22. |
| | Stronger Communities |
| 11. | <u>Crematorium refurbishment project (Slippage of £0.48M from 2020/21 to 2021/22)</u> The ongoing impact of COVID-19 pandemic on resource levels available to complete this project has meant that progress on upgrading the crematorium is not as far forward as originally planned. Most of the work is now expected to take place in 2021/22. |
| | HRA |
| 12. | <u>Roofing Lot 1 West- Flat Roofs CG0065 - Slippage of £0.27M from 2020/21 to 2021/22 and Roofing Lot 2 East- Flat Roofs CG0066 - Slippage of £0.33M from 2020/21 to 2021/22</u> The impact of COVID-19 and issues with the formation of the contract, as the contractor reports difficulties in obtaining a performance related bond, have resulted in a revised programme of works. Since the last reporting period the maintenance team has identified from stock condition records and the feedback that the roofs have further deteriorated and are coming to the end of their useful life. Instead of maintenance, roof coverings will be renewed in 2021/22. Any additional costs have been accounted for in the HRA Business plan for future years. |

ANNEX 2.4

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

| Resource | Balance Bfwd £M | Received to Date 2020/21 £M | Allocated to Current Programme £M | Ear- marked £M | Available Funding £M | Anticipated Receipts £M |
|---------------------|--------------------|-----------------------------------|-----------------------------------------|----------------------|----------------------------|-------------------------------|
| Capital Receipts | (9.31) | (0.07) | 8.77 | 2.75 | 2.15 | (2.24) |
| CIL | (15.60) | (0.44) | 5.40 | 10.85 | 0.21 | (0.59) |
| S106 | (7.73) | (2.69) | 8.29 | 0.00 | (2.31) | (0.63) |
| | (32.63) | (3.21) | 22.46 | 13.60 | (0.05) | (3.45) |
| Previously reported | (32.63) | (0.98) | 20.25 | 15.29 | (1.91) | (3.63) |
| Movement | (0.00) | (2.23) | 2.21 | (1.69) | 1.86 | 0.18 |

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

General Fund Capital Receipts Forecast

| | Bfwd £M | 2020/ 2021 £M | 2021/ 2022 £M | 2022/ 2023 £M | 2023/ 2024 £M | 2024/ 2025 £M | Total £M |
|-------------------|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Current Forecast | 9.31 | 2.06 | 0.25 | 0.00 | 0.00 | 0.00 | 11.62 |
| Previous Forecast | 9.31 | 2.01 | 0.25 | 0.00 | 0.00 | 0.00 | 11.57 |
| Movement | 0.00 | 0.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 |

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

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ANNEX 2.5

General Fund & HRA - Revised 5 Year Programme Totals and Use of Resources

Programme Comparison

| | 2020/ 2021 £M | 2021/ 2022 £M | 2022/ 2023 £M | 2023/ 2024 £M | 2024/ 2025 £M | Total £M |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| Revised Programme | 181.21 | 314.81 | 243.63 | 81.76 | 52.45 | 873.87 |
| Previous Programme | 188.16 | 348.67 | 203.36 | 80.26 | 47.59 | 868.03 |
| Movement | (6.94) | (33.85) | (40.27) | (1.50) | (4.86) | (5.84) |

| Programme | 2020/ 2021 £M | 2021/ 2022 £M | 2022/ 2023 £M | 2023/ 2024 £M | 2024/ 2025 £M | Total £M |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| Children & Learning | 17.24 | 37.53 | 50.44 | 1.95 | 0.00 | 107.16 |
| Culture & Homes | 1.03 | 2.07 | 12.70 | 4.10 | 0.05 | 19.96 |
| Customer & Organisation | 6.20 | 7.27 | 2.52 | 2.31 | 2.02 | 20.31 |
| Finance & Income Generation | 51.27 | 150.00 | 0.00 | 0.00 | 0.00 | 201.27 |
| Green City & Place | 55.99 | 55.46 | 135.69 | 36.38 | 19.63 | 303.15 |
| Health & Adults | 0.15 | 0.22 | 0.10 | 0.10 | 0.05 | 0.62 |
| Stronger Communities | 1.96 | 7.28 | 0.00 | 0.00 | 0.00 | 9.25 |
| Total General Fund | 133.86 | 259.83 | 201.44 | 44.83 | 21.74 | 661.70 |
| Housing Revenue Account | 47.36 | 54.98 | 42.19 | 36.93 | 30.71 | 212.17 |
| Total Capital Programme | 181.21 | 314.81 | 243.63 | 81.76 | 52.45 | 873.87 |

| Use of Resources | 2020/ 2021 £M | 2021/ 2022 £M | 2022/ 2023 £M | 2023/ 2024 £M | 2024/ 2025 £M | Total £M |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| *CR - GF Borrowing | (70.28) | (183.24) | (130.63) | (16.97) | (14.66) | (415.78) |
| *CR - HRA Borrowing | (8.35) | (20.07) | (7.93) | (2.78) | (1.30) | (40.43) |
| Capital Receipts | (17.76) | (3.25) | (6.58) | (4.03) | (3.33) | (34.96) |
| Direct Revenue Financing | (10.41) | (7.48) | (7.63) | (8.07) | (3.50) | (37.09) |
| Capital Grants | (46.06) | (70.78) | (60.37) | (24.36) | (2.67) | (204.25) |
| Contributions | (9.29) | (4.73) | (8.95) | (3.50) | (4.41) | (30.88) |
| HRA – MRA | (19.07) | (25.25) | (21.53) | (22.06) | (22.59) | (110.49) |
| Total Financing | (181.21) | (314.81) | (243.63) | (81.76) | (52.45) | (873.87) |

*CR – Council Resources

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

| | | | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| DECISION-MAKER: | CABINET COUNCIL | | |
| SUBJECT: | THE REVENUE BUDGET 2021/22, MEDIUM TERM FINANCIAL FORECAST 2021/22 TO 2024/25 AND CAPITAL PROGRAMME 2020/21 to 2025/26 | | |
| DATE OF DECISION: | 23 FEBRUARY 2021 (Cabinet) 24 FEBRUARY 2021 (Council) | | |
| REPORT OF: | CABINET MEMBER FOR FINANCE AND INCOME GENERATION | | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Steve Harrison Stephanie Skivington Vicki Remsbery Neville Button | Tel: 023 8083 4153 023 8083 2692 023 8083 3376 023 8083 3574 |
| | E-mail: | Steve.Harrison@southampton.gov.uk Stephanie.Skivington@southampton.gov.uk Vicki.Remsbery@southampton.gov.uk Neville.Button@southampton.gov.uk | |
| DIRECTOR: | Name: | John Harrison | Tel: 023 8083 4897 |
| | E-mail: | John.Harrison@southampton.gov.uk | |

STATEMENT OF CONFIDENTIALITY

Appendix 5 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. It is not in the public interest to disclose this information due to an ongoing commercial dispute which is subject to a protected alternative dispute resolution procedure. If the information was disclosed then the Council's financial position would be available to other parties to the dispute and prejudice the Council's ability to achieve best value.

EXECUTIVE SUMMARY

This report details the revenue budget for 2021/22 and the Medium Term Financial Forecast (MTFF) for the period 2021/22 to 2024/25. It provides detail to inform Council in setting Council Tax and rents for 2021/22.

The report also details the General Fund and Housing Revenue Account (HRA) Capital Strategy and Programme for the period 2020/21 to 2025/26.

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

Appendix 1 The Revenue Budget 2021/22 and Medium Term Financial Forecast 2021/22 to 2024/25

Appendix 2 The Capital Strategy & General Fund Programme 2020/21 to 2025/26

Appendix 3 The HRA Budget 2021/22 and Capital Programme 2020/21 to 2025/26

| | |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RECOMMENDATIONS: | |
| CABINET | |
| Cabinet are recommended to: | |
| General Fund | |
| i) | Note the forecast outturn position for 2020/21 as set out in paragraphs 29 to 32 of Appendix 1. |
| ii) | Note the revised Medium Term Financial Forecast 2021/22 to 2024/25 as detailed in paragraphs 68 to 74 of Appendix 1 and Annex 1.1. |
| iii) | Note the aims and objectives of the Medium Term Financial Forecast which will be presented to council for approval on 24 th February 2021 as set out in paragraph 24 of Appendix 1. |
| iv) | Note that formal budget consultation began on 16 th December 2020 and ended on 19 th January 2021, although comments submitted after this date will be considered where possible. The outcome of the consultation is outlined in paragraphs 34 to 39 with no changes to amounts put forward as savings proposals in December. |
| v) | Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 40 to 43. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members Room, documents 1 and 2. |
| vi) | Note that the Executive's budget proposals are based on the assumptions detailed within the MTFF and that this includes an increase in the Adult Social Care precept of 3.00% and an increase in the general council tax of 1.99%, allowable under general powers to increase council tax without a referendum. |
| vii) | To note that the report identifies general fund pressures totalling £36.81M in 2021/22, as detailed in paragraph 50 of Appendix 1. |
| viii) | To note that savings proposals totalling £10.68M are included in the 2021/22 General Fund Revenue Budget, with £7.14M in 2022/23, as detailed in paragraphs 53 to 56 of Appendix 1. |
| ix) | To note proposals for the use of the Local Council Tax Support Grant will be brought forward during 2021/22, as detailed in paragraph 75 of Appendix 1 |
| x) | Note that the budget sets the Band D Council Tax for Southampton City Council at £1,644.39 for 2021/22, a Net Budget Requirement of £173.85M and the Council Tax Requirement for 2020/21 at £105.88M as per Annex 1.2. |
| xi) | To note that further proposals will need to be considered to address the 2022/23 and future years budget shortfall. |
| xii) | Notes and recommends to council where appropriate, the MTFF and General Fund Revenue Budget changes as set out in Council recommendations i) to xiv). |
| General Fund Capital Programme | |
| xiii) | Notes the revised General Fund Capital Programme, which totals £466.43M (as detailed in paragraphs 4 to 6 of Appendix 2) and the associated use of resources. |
| xiv) | Notes that a further £6.52M has been added to the General Fund programme, requiring approval to spend, by Cabinet/Council subject to the relevant financial |

| | | |
|--|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | limits. These additions are detailed in paragraphs 14 to 23 of Appendix 2 and Annex 2.1. |
| | xv) | Notes the request for approval to spend a further £2.50M relating to the SEND (Special Educational Needs and Disabilities) programme as detailed in paragraph 11 of Appendix 2 and Annex 2.1. |
| | xvi) | Notes the removal of schemes from the capital programme totalling £201.79M as set out in paragraphs 8 and 10 of Appendix 2 and detailed in Annex 2.1. |
| | xvii) | Notes the required approval to accept government grant funding of £1.68M from the Department of Business, Energy & Industrial Strategy under the Public Sector Decarbonisation Scheme awarded following a bid made by the Green City & Place portfolio as detailed in paragraph 12 of Appendix 2. |
| | xviii) | Notes that the capital programme remains fully funded up to 2025/26 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received. |
| | xix) | Notes that a review of the Council's capital strategy has been undertaken as detailed in Annex 2.3. |
| | xx) | Notes that a review of the Council's MRP (Minimum Revenue Provision) strategy has been undertaken as detailed in Annex 2.3(a). |
| | xxi) | Notes that a review of the Council's investment strategy has been undertaken as detailed in Annex 2.3(b). |

Housing Revenue Account

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| | xxii) | To note that, from 1 st April 2021, an average rent increase be applied to dwelling rents of 1.33%, as set out in paragraph 9 of Appendix 3, equivalent to an average increase of £1.14 per week in the current average weekly dwelling rent figure of £85.67. |
| | xxiii) | To note an increase in weekly service charges of 1.5%, as detailed in paragraphs 10 and 11 of Appendix 3 from 1 st April 2021 (including supported accommodation). |
| | xxiv) | To note and recommend the Housing Revenue Account Revenue Estimates as set out in Appendix 3. |
| | xxv) | To note the 40 year Business Plan for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year. |
| | xxvi) | To note the increase in heating charges set out in paragraph 12 of Appendix 3 and Annex 3.3. |
| | xxvii) | Notes the revised Housing Revenue Account (HRA) Capital Programme, which totals £376.51M (as detailed in paragraph 22 & 32 of Appendix 3) and the associated use of resources. |
| | xxviii) | Notes the addition of £164.34M to the HRA Capital Programme and the request for approval to spend £164.34M as detailed in paragraph 31 of Appendix 3. |

| COUNCIL | | |
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| General Fund | | |
| | i) | Notes the general budget consultation process that was followed as detailed in paragraphs 34 to 39. |
| | ii) | Notes that the budget consultation feedback has been taken into consideration by the Cabinet and has informed their final budget proposals. Further details are contained within the Members Room document 3. |
| | iii) | Notes the Equality and Safety Impact Assessment process that was followed as set out in paragraphs 40 to 43. The updated ESIA's and Cumulative Impact Assessment are available documents in the Members Room, documents 1 and 2. |
| | iv) | Note the forecast outturn position for 2020/21 as set out in paragraphs 29 to 32 of Appendix 1. |
| | v) | Approves the revised Medium Term Financial Forecast (MTFF) for the period 2021/22 to 2024/25 attached as Annex 1.1. |
| | vi) | Approves the 2021/22 General Fund Revenue Budget as detailed in Annex 1.1(a) of the MTFF at Annex 1.1. |
| | vii) | Notes that the Executive's budget proposals are based on the assumptions detailed within the MTFF and that this includes an increase in the Adult Social Care precept of 3.00% and an increase in the general council tax of 1.99%, allowable under general powers to increase council tax without a referendum. |
| | viii) | Approves additional general fund pressures totalling £36.81M in 2021/22 as detailed in paragraph 50 of Appendix 1. |
| | ix) | Approves savings proposals totalling £10.68M that are included in the 2021/22 General Fund Revenue Budget, with £7.14M in 2022/23, as detailed in paragraphs 53 to 56 of Appendix 1. |
| | x) | To note proposals for the use of the Local Council Tax Support Grant will be brought forward during 2021/22, as detailed in paragraph 75 of Appendix 1. |
| | xi) | To delegate authority to the Executive Director for Finance, Commercialisation & S151 Officer, following consultation with the Cabinet Member for Finance and Income Generation, to do anything necessary to give effect to the proposals contained in this report. |
| | xii) | Sets the Band D Council Tax for Southampton City Council at £1,644.39 for 2021/22, a Net Budget Requirement of £173.85M and the Council Tax Requirement for 2020/21 at £105.88M as per Annex 1.2. |
| | xiii) | Notes the estimates of precepts on the council tax collection fund for 2021/22 as set out in Annex 1.3. |
| | xiv) | Agrees that the following amounts be now calculated by the Council for the financial year 2021/22 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992; and Determines in accordance with Section 52ZB of the Act that the Council's relevant basic amount of Council Tax for 2021/22 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC of the Act. |

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| | | <p>(a) £512,018,229 (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) £406,137,601 (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) £105,880,628 (Being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council 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>(d) £1,644.39 (Being the amount at (c) above (Item R), all divided by the tax base of 64,389 (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> |
| General Fund Capital Programme | | |
| | xv) | Approves the revised General Fund Capital Programme, which totals £466.43M (as detailed in paragraphs 4 to 6 of Appendix 2) and the associated use of resources. |
| | xvi) | Approves additions of £6.52M which has been added to the General Fund programme requiring approval to spend, by Cabinet/Council subject to the relevant financial limits. These additions are detailed in paragraphs 14 to 23 of Appendix 2 and Annex 2.1. |
| | xvii) | Approves the request to spend £2.50M as part of the SEND work as detailed in paragraph 11 of Appendix 2 and Annex 2.1. |
| | xviii) | Approves the removal of schemes from the capital programme totalling £201.79M as set out in paragraphs 8 and 10 of Appendix 2 and detailed in Annex 2.1. |
| | xix) | Approves the acceptance of government grant funding of £1.68M from the Department of Business, Energy & Industrial Strategy under the Public Sector Decarbonisation Scheme awarded following a bid made by the Green City & Place portfolio as detailed in paragraph 12 of Appendix 2. |
| | xx) | Notes that the capital programme remains fully funded up to 2025/26 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received. |
| | xxi) | Approves the Council's capital strategy detailed in Annex 2.3. |
| | xxii) | Approves the Council's MRP strategy detailed in Annex 2.3(a). |
| | xxiii) | Approves the Council's investment strategy detailed in Annex 2.3(b). |
| Housing Revenue Account | | |
| | xxiv) | Approves that, from 1 st April 2021, an average rent increase be applied to dwelling rents of 1.33%, as set out in paragraph 9 of Appendix 3, equivalent to an average increase of £1.14 per week in the current average weekly dwelling rent figure of £85.67. |
| | xxv) | Approves an increase in weekly service charges of 1.5% as detailed in paragraphs 10 and 11 of Appendix 3 from 1 st April 2021 (including supported accommodation). |

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| xxvi) | Approves the Housing Revenue Account Revenue Estimates as set out in Appendix 3. |
| xxvii) | Approves the 40 year Business Plans for revenue and capital expenditure set out in Annexes 3.1 and 3.2 of Appendix 3 respectively, that based on current assumptions are sustainable and maintain a minimum HRA balance of £2.0M in every financial year. |
| xxviii) | Approves the increase in heating charges as detailed in paragraph 12 of Appendix 3 and Annex 3.3. |
| xxix) | Approves the revised Housing Revenue Account (HRA) Capital Programme, which totals £376.51M (as detailed in paragraph 22 & 32 of Appendix 3) and the associated use of resources. |
| xxx) | Approves the addition of £164.34M to the HRA Capital Programme and the request for approval to spend £164.34M as detailed in paragraph 31 of Appendix 3. |

REASONS FOR REPORT RECOMMENDATIONS

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| 1. | The Council is a large and complex organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial opportunities and challenges and that they make informed decisions. The Council regularly revises its MTFF so that the financial position is clear for budget proposals to be drawn up for the forthcoming year. |
| 2. | The Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. Programme updates are reported to Cabinet and Council for approval. This is required to enable schemes in the programme to proceed and to approve additions and changes to the programme. Major capital projects are undertaken over a number of year so by setting a clear 5 year programme works can be undertaken in timely manner to assist the Council in achieving its aims and priorities, over both the short and medium term. |
| 3. | The Constitution requires the Executive to recommend its budget proposals for the forthcoming year to full Council. The recommendations contained in this report set out the various elements of the budget that need to be considered and addressed by the Cabinet in preparing the final papers that will be presented to full Council. |

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 4. | Alternative options for revenue spending and MTFF assumptions form an integral part of the development of the overall MTFF that will be considered at the council budget setting meeting on 24 th February 2021. |
| 5. | Part of setting the General Fund Budget and Medium Term Financial Forecast, requires a view to be taken on the revenue cost of capital to the Council and proposals have been considered in order to ensure the most appropriate use of capital resources in meeting the council's priorities. The Capital Strategy and an updated Capital Programme are included as Appendix 2 to the report, and the latest position is included in the MTFF Model. |
| 6. | This report sets out the HRA revenue budgets for 2021/22 and the 40 year HRA business plan covering the period 2021/22 to 2060/61. The proposed changes to rents and other charges are an integral part of the revenue estimates for 2021/22. |
| 7. | The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. |

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| | Alternative options for new capital spending are considered as part of the budget setting process in the light of the funding available and the overall financial position. |
| DETAIL (Including consultation carried out) | |
| <u>REVENUE BUDGET AND MEDIUM TERM FINANCIAL FORECAST</u> | |
| 8. | <p>As reported in Appendix 1 (paragraph 30) and in detail in the financial monitoring report to Cabinet, the position for COVID-19 costs in the current year is a gross impact of £34.5M on council portfolios. Even with grant support from Government, the council has expects to apply £5.6M of its own funds to help support the essential work needed to respond to the pandemic. Such a large cost also creates major difficulties with drafting a balanced budget for 2021/22. All efforts have been made to realistically assess the likely impact on the budget in 2021/22 from the pandemic and factor this into our spending and funding for 2021/22. The Council has £7.8M of general grant support in 2021/22 from Government, as announced alongside the settlement, and this has been factored into supporting the budget. However, for Southampton, as for all authorities, significant risks remain around how the pandemic will continue to impact on the financial position. This has made the work around ensuring a robust budget and financial resilience for the authority for 2021/22 and beyond of particular importance, as well as the statement provided by the Executive Director for Finance, Commercialisation & S151 Officer on the robustness of the budget and adequacy of reserves (see paragraphs 18 to 29).</p> <p>Details of the Revenue Budget for 2021/22 and the updated Medium Term Financial Forecast 2021/22 to 2024/25 are given in Appendix 1 and annexes thereto.</p> |
| 9. | <p>A report providing an update on the budget position for 2021/22 was presented to Cabinet on 15th December 2020. Appendix 1 provides an update to that report, giving details of the council's financial resources following the 2021/22 provisional local government finance settlement and sets out the final proposals in respect of additional budgetary pressures, lost income and unachieved savings following review of the initial proposals and taking into account feedback from the budget consultation exercise and the latest financial monitoring position. The final local government finance settlement, approved by Parliament on 10th February 2021, confirmed the funding allocations included in the proposed 2021/22 budget but at the time of writing allocations for Public Health Grant have not been announced.</p> |
| 10. | <p>The position reported in December 2020 showed a budget shortfall for 2021/22 of £3.97M. The updated position is a balanced budget for 2021/22 and budget shortfalls of £22.5M (2022/23), £27.3M (2023/24) and £26.6M (2024/25) respectively. A summary of all of the changes with respect to 2021/22 since the shortfall position reported in December 2020 is provided in paragraph 69 of Appendix 1. Future budget shortfalls will need to be addressed and will form a part of the in-year budget work carried out by the Executive Management Team.</p> |
| 11. | <p>The budget proposals set out in December 2020 were based on a council tax increase of just under 2% for the 'core' council tax rise and 2% for Adults Social Care. The recommended increase in this report remains just under 2.00% for the core increase but proposes making use of the extra flexibility of an additional 1% for upper tier councils to raise through the Adult Social Care levy, taking that element to 3%. All of the 3% increase will be applied to Adult Social Care to protect this service area, which has come under additional pressure during the COVID-19 pandemic.</p> |

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| 12. | The Medium Term Financial Forecast does not reflect any changes that may arise through the reform of the business rates retention system or implementation of the fair funding review, both of which the Government delayed until 2022/23. These anticipated changes, together with the postponement of the multi-year spending review, mean there is much uncertainty about funding after 2021/22. Due to uncertainty over future funding as well as spending pressures being far more volatile than ever before under COVID-19, the MTFF will be kept under regular review. |
| <u>CAPITAL STRATEGY AND CAPITAL PROGRAMME</u> | |
| 13. | Details of the capital programme for 2020/21 to 2025/26 and the updated Capital Strategy are given in Appendix 2 and annexes thereto. |
| 14. | Appendix 2 highlights the proposed changes to the General Fund capital programme since the last reported monitoring position to Cabinet in February 2021. The net result of the changes is that the programme has decreased by £195.27M, with the withdrawal of the Property Investment Fund (worth £200M) being the key change. Appendix 3 highlights the proposed changes to the HRA capital programme since the last reported monitoring position to Cabinet in February 2021. The net result of the changes is that the programme has increased by £164.34M, the commitment to 1,000 Homes being the major factor behind the increase. |
| 15. | The capital budget proposals put forward as part of this report reflect the anticipated needs of the Council over the next 5 years with significant investment. Additions to the programme have been kept to a minimum, due to the uncertainty of consequence of the pandemic on the authority and its impact on delivery of the programme. |
| 16. | Annex 2.3 details the updated capital strategy for approval. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The capital programme will be kept under regular review, both in terms of future affordability and delivery when set against the Pandemic and its impact on the authority. |
| <u>HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL PROGRAMME</u> | |
| 17. | The HRA records all the income and expenditure associated with the provision and management of council owned homes in the City. This account funds a significant range of services to approximately 16,000 homes for Southampton tenants and their families and to over 2,000 homes for leaseholders. Further information can be found in Appendix 3 on the HRA revenue budget 2021/22 and capital programme. The proposals include any amendments needed, where necessary, relating to general service charges and supported accommodation as well as HRA rents. |
| <u>STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u> | |
| 18. | There are a number of major sources of change and uncertainty arising from the external environment, which may impact on the council's costs and funding. As stated by the Bank of England in late 2020, "The outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and |

the United Kingdom. It also depends on the responses of households, businesses and financial markets to these developments.” With both council funding and spending strongly linked to the pandemic and state of the economy, future planning and risk assessment is being undertaken against a very challenging backdrop.

The major risks and uncertainties include:

- The ongoing impacts of COVID-19 remain uncertain, both in terms of service pressures and economic impact. The nature of a ‘new normal’ is unknown and the ongoing impact of the pandemic on service demand levels and income streams is uncertain, but is likely to increase the volatility with budgets.
- The economic downturn and high unemployment rates could adversely impact the income derived from both council tax and business rates. The Office for Budget Responsibility (OBR) has forecasted the economy will contract by 11.8% in 2020 and will take until the end of 2022 to return to pre-pandemic levels. Other economic impacts may last longer, for example unemployment is expected to peak in the second quarter next year at 7.5% and fall to 4.4% by 2025 (pre-pandemic was 3.8% in 2019).
- The income derived from council tax and business rates has factored in prudence, stripping out previously expected growth in business rates and the council tax base. Adjustments have been made with respect to increasing the assumptions around empty properties (for business rates) and a rising number of council tax support claimants but the exact effects of the pandemic lockdowns is hard to predict.
- The economic effects, whether positive or negative, from leaving the transition period with the European Union and embarking on a free trade agreement on overall public finances and the resource available for the next Spending Review.
- The Government’s Fair Funding Review (FFR), expected in 2022/23 which will review the relative spending need of all local authorities and will therefore influence the allocation of resources between authorities.
- The Government’s implementation of the 75% business rate retention share for councils, up from the current 50% system, is now expected in 2022/23. Though this should be financially neutral nationally, there will be an impact from the expected ‘reset’ of business rates whereby baseline funding levels will be re-established. This means a potential risk of a loss of any business rate growth to the authority. As we have seen in 2020/21, business rates are unpredictable, meaning the council must budget allowing for increased uncertainty and volatility with funding in future.
- There are significant cost pressures arising from changing demographics and a growing, ageing population. These lead to increased demand for adult and children services, as well as other services across the Council. These pressures have been built into the budget and will continue to be reviewed
- The long promised Green Paper on adult social care to place the service on a more sustainable footing is still yet to arrive. Assumptions have necessarily been made over the continuation of a significant degree of grant support to local authorities.
- The adequacy of the provision made for inflationary costs, pay awards and also the potential for increases in interest rates which would impact on borrowing costs. As of November 2020, the inflation level for the United Kingdom was 0.3%, falling from a high of 3.1% almost three years earlier in November 2017. The outlook for inflation is that it will remain low over the medium term. This area will be kept under regular review for any potential adverse impact.

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| | <ul style="list-style-type: none"> Anything arising from the expected budget announcement by the Chancellor on 3 March or the Spending Review which is expected to outline the national future funding envelope for public services from 1 April 2022. |
| 19. | <p>Whilst this proposed budget maintains services during the pandemic, and allocates additional resources in key areas into 2021/22, the challenges ahead should not be under-estimated. Going into 2022/23 to ensure the Council operates within its financial envelope, it will need to cover an estimated budget shortfall of around £22.5M. This figure rests, inevitably, on a number of assumptions as set out in Annexe 1.1 to Appendix 1. Given the highly uncertain environment under which council services are currently operating, and the uncertainty which arises over future funding of those services due to the economic impact from the pandemic, it cannot be ruled out that the predicted £22.5M shortfall will yet increase.</p> <p>The size of the challenge, as well as a significant level of uncertainty, will mean the council needs to adapt its budget work and financial management to be more flexible and responsive. Accordingly, it is important that in-year budget work is undertaken during 2021/22, to assess spending and consider any further saving opportunities for 2021/22 as well as planning for the 2022/23 budget challenge at an early stage. The authority will therefore continue to keep its MTFE under close review given the high degree of financial uncertainty. Detailed budget monitoring, and considering the mitigation available where budget pressures arise, forms a part of the quarterly in-year budget monitoring evaluation which is reported to Cabinet.</p> |
| 20. | <p>Section 25 of the Local Government Act 2003 requires each Chief Financial Officer to report to their authority about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax.</p> <p>Each authority is required to consider their Chief Financial Officer's report when setting the level of council tax.</p> |
| 21. | <p>The financial position and unparalleled pressures experienced in 2020/21 have been taken into account when formulating the budget for 2021/22. As reported to Cabinet on 23rd February 2021, at the end of quarter 3 the financial position was that the council's net General Fund position is projected favourable at £4.59M for 'business as usual', though this does rely on using corporate funds and £5.76M from the Social Care Demand Reserve in support of Children's services.</p> |
| 22. | <p>The general fund balance is planned to remain at its current level (£10.07M) and provides a safeguard against unexpected incidents and also potential overspending. At this level, it is regarded as an adequate level.</p> |
| 23. | <p>We hold reserves for different purposes. We have reserves that are ringfenced for specific purposes, reserves that are earmarked for specific initiatives that can be met by one-off sources of money and more general reserves to deal with the financial risks outlined in the previous section. It is this last category that will have an element of 'uncommitted' sums set aside for future risks or need.</p> <p>A statement on reserves is provided on Annexe 1.1(b) to the Medium Term Financial Forecast. By the end of 2020/21, total reserves are expected to be £92.4M. However, the majority is already committed to meet particular future liabilities or is already planned to be used. The sum, available when taking future expected commitments and liabilities into account, is around £35.6M. In practice £7.4M of this is expected to help cover the rising pressure from social care demand each year, leaving £28.2M for all the risks identified above. This £28.2M is held within the Medium Term Financial Risk Reserve and protects the council from future risks, both known and unknown. It is essential to maintain this reserve at a</p> |

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| | <p>level assessed as reasonable by the S151 officer to provide a safety net for the authority and ensure stability of service and financial planning.</p> <p>An element of reserves was agreed to be utilised, at the February 2020 Council meeting, under the agreed strategy to support the budget which includes helping to ‘smooth’ the savings needed over the next 2-3 financial years, allowing longer term plans to be made. Given the pandemic situation, and the uncertainty arising over future funding and spend due to the pandemic, reserves are an essential element of ensuring both service and financial resilience at this critical time.</p> |
| 24. | <p>The Council had created a Social Care Demand Risk reserve, which as part of the 2020/21 budget was increased from £1M to £7M. This reserve will be further boosted this year to ensure financial resilience in an area where a number of significant and ‘high risk’ budgets exist, and is forecast to have a balance of £11.58M by the current year-end. The budget assumes a use of the reserve during 2021/22, but on current forecast will still have a balance of £7.4M after the expected drawdown. Social care budgets have been reviewed and increased to cater for expected demand but this sum provides a further cushion against future unexpected increases on social care service demand.</p> <p>The council faces a highly challenging financial background, with considerable uncertainty and also risks around volatility of spend and funding which will be strongly influenced by the unknowable course of the pandemic. It will therefore be crucial that reserves, both earmarked and general, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget and safeguard against risks. Reserve use will be carefully monitored and the strategy on their use kept under review during the year.</p> |
| 25. | <p>On savings, the 2021/22 budget is balanced via £10.68M of savings and other assumptions factored into budgets (see Appendix 1, paragraphs 53-56 and Annexe 1.6).</p> <p>Services have been actively working on their saving proposals for some time, and where not achieved in-year during 2021/22 the assumption will be mitigations can be found until the savings are realised, or equivalent sums found.</p> <p>The Council agreed in November 2019 to resume property investment, with an additional £200M made available within the capital programme, which aimed to contribute net income to the budget of around £2.75M when fully invested. This investment has now been removed from the capital programme, as a result of Government changes to rules around borrowing which has precluded undertaking any borrowing from the Public Works Loan Board (PWL) primarily for yield on investment. Capital spending plans will need to be submitted in advance to Government, and the S151 officer provide assurance that the council will not be undertaking investment of assets primarily for yield. One of the budget pressures to be met is the £2.75M shortfall with council income now this policy can no longer be implemented. Regeneration opportunities can still be considered, but would be expected to match clear criteria such as creating social or economic value that would otherwise not occur without the local authority investment.</p> |
| 26. | <p>Given the service pressures faced, as well as the other risks identified, the budget contains an uncommitted contingency level within centrally held funds of around £9.5M, which provides for added confidence when dealing with volatile budgets and uncertainty.</p> |
| 27. | <p>In the context of the proposed overall net budget of £174M, and the reserves and contingencies available, the savings plans and assumptions made should not present an excessive financial risk to the authority.</p> |

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| 28. | <p>Financial procedures to monitor and report on the forecast position versus the budget are well ingrained across the authority and reporting occurs frequently to both senior management and formally to members (via a quarterly Cabinet report).</p> <p>However, it is recognised that on-going robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, with processes in place to promote these during the next year is necessary to ensure this budget is delivered. This will be done with a focus on 'risk management', with the most attention given to the most material and volatile areas of the budget. We will also review all our processes against the background of the new Financial Management Code, and where appropriate ensure we enhance our processes to continue to promote sound financial management.</p> |
| 29. | <p>Circumstances around budget setting this year have been especially challenging; the economic and social impacts of the COVID-19 pandemic, Brexit and uncertainty around the future of local government funding. These present significant levels of uncertainty and potential financial risk and instability.</p> <p>However, for the reasons listed in this section including:</p> <ul style="list-style-type: none"> • the sound financial health from the reserves, in particular the Medium Term Financial Risk Reserve and Social Care Demand Reserve, • contingency and inflation funds in the budget of £9.5M (uncommitted), • the evidence from the CIPFA resilience index below (paragraphs 30 and 31) and • the clear intention to be as adaptable and responsive as possible to the current budget pressures by applying a more adaptable business planning and financial framework during 2021/22 and having a strong focus on reporting in-year budget review work, including new savings. <p>I am therefore content as the Council Chief Financial Officer that the Council is operating prudently and with sufficient financial resilience to deal with the risks highlighted within the budget report (John Harrison Executive Director for Finance, Commercialisation & S151 Officer).</p> |
| | <p><u>CIPFA Resilience Index</u></p> |
| 30. | <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced a resilience index, designed to support the local government sector as it faces continued financial challenge. It has a series of up to 16 measures that compare local authorities with each other across issues such as level of and movement in reserves, level of gross debt and proportion of budget spent in areas experiencing the most demand pressure (Adults and Children Services) and therefore most likely to be at risk of overspending. It applies current and past data rather than future estimates. When this index was published in February 2020, the results for Southampton City Council were that the council is low or very low risk on level of reserves and change in reserves and the reserves sustainability measures. On some of the measures which look at our aspects of expenditure, the council come out as a higher risk. For example, on the relative proportion we spend in Adult Social Care – which is led by demand and statutory requirements to meet client needs.</p> |
| 31. | <p>At the time of writing, an update to the Resilience index for 2021 index is expected by 19th February. Should this become available, an update will therefore be made available to cabinet and council.</p> |
| | <p><u>CIPFA Financial Management Code</u></p> |
| 32. | <p>CIPFA has published a new Financial Management Code for authorities to adhere to. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The</p> |

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| | <p>FM Code sets out the standards of financial management for local authorities, based on broad principles. It does not prescribe the financial management processes that local authorities should adopt but requires each authority to demonstrate that its processes satisfy the principles of good financial management.</p> |
| 33. | <p>The first year of compliance with the FM Code will be 2021/22. Future budget updates to Cabinet and Council will indicate how the processes adopted by Southampton City Council ensure compliances with the standards set out in the Code.</p> |
| | <p><u>BUDGET CONSULTATION</u></p> |
| 34. | <p>The Cabinet’s draft budget proposals for 2021/22 were set out in the Budget Matters report of 15th December 2020. A public engagement exercise was undertaken with residents and stakeholders on the draft budget proposals between 16th December 2020 and 19th January 2021 (5 weeks).</p> <p>This year the proposals in the questionnaire were arranged over 4 sections:</p> <ul style="list-style-type: none"> • Priorities • Income generation proposals • Efficiencies and service improvement proposals • Proposals to increase council tax <p>The aim of this engagement exercise was to:</p> <ul style="list-style-type: none"> • Communicate clearly to residents and stakeholders the budget proposals for 2021/22 • Ensure any resident, business or stakeholder who wished to comment on the proposals had the opportunity to do so, enabling them to raise any impacts the proposals may have • Allow participants to propose alternative suggestions for consideration which they feel could achieve the objectives in a different way. |
| 35. | <p>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 in order to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on community safety, poverty and health and wellbeing. These impact assessments were published as part of the public engagement exercise.</p> <p>In total, 597 people responded to the public engagement exercise. Of these, 95% were Southampton residents. Of those who responded, 89% either agreed or strong agreed with our focus on protecting frontline services and caring for the most vulnerable in society, 62% either agreed or strongly agreeing with our commitment to delivering a city that is Greener, Fairer and Healthier by realising our long-term strategy for the city, and 81% either agreed for strongly agreed with our focus on being even more efficient, generating income and safeguard jobs.</p> |
| 36. | <p>As part of the engagement process, officers and Cabinet members engaged with the community and Voluntary Sector through the Southampton Voluntary Services (SVS) Friday Forum. The unions have also been engaged regarding the budget proposals contained within this report.</p> |

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| | A full analysis of the public engagement exercise feedback is included in Members Room documents. |
| | <u>Issues raised in the consultation feedback</u> |
| 37. | <p>Following careful consideration of the feedback received through the public engagement exercise, the ESIA's were reviewed and updated as follows:</p> <p>a) Maximising independence for people with Learning Disabilities</p> <ul style="list-style-type: none"> • 72% of respondents supported this proposal. • Feedback raised concerns that some people may not receive the full support they need within a community setting. The ESIA has been updated to clarify that all customers will continue to have their assessed care needs met in line with the Care Act 2014. • Some respondents raised concerns that the proposal would result in a reduction in services for people with a learning disability. The ESIA has been updated to clarify that this proposal does not represent a reduction in services. • Some respondents raised concerns that suitable housing may not be available in community settings and the proposal might impact the housing register. The ESIA has been updated to confirm that there is a programme of work to develop specialist housing in the city for people with learning disabilities to meet their complex needs, and this additional specialist provision will mean that this proposal will have minimal impact on the general needs housing register. • Feedback also raised concerns that people with learning disabilities may experience social isolation in a community setting, which may have increased following Covid-19 lockdown restrictions. The ESIA has been updated to confirm that individual needs will be assessed in line with the Care Act, including consideration of social isolation. <p>b) Libraries income review</p> <ul style="list-style-type: none"> • 83% of respondents supported this proposal. • In response to feedback the ESIA has been updated to provide further information on the types of charges which will be reviewed, and the support available for those with outstanding debts. <p>c) Exploring community funding with alternative model</p> <ul style="list-style-type: none"> • 60% of respondents supported this proposal • Feedback raised concerns that a lottery might disproportionately attract people from lower income families and/or could exacerbate gambling problems and debt. • The ESIA has been updated to provide additional information on the proposed community lottery. • There is no data to suggest that a Local Authority lottery exacerbates gambling problems or that community lotteries disproportionately attract people from lower income families. <p>d) Concessionary fares</p> <ul style="list-style-type: none"> • 66% of respondents supported this proposal. |

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| | <ul style="list-style-type: none"> • Some respondents noted raised concerns about the impact of potential reductions in services on older or disabled people, and the impact on the council's Green City charter commitments. • We received responses from two bus companies in the city; Bluestar and First Bus. These raised concerns about the proposal in light of new Department for Transport guidance, and noted the potential impact on the commercial viability of networks. • The ESIA has been updated to reflect the latest projections regarding usage and associated reductions in concessionary fare reimbursement revenue. • We propose to engage constructively with the Bus Operators about reducing the Concessionary Fare Subsidy payment, whilst taking the Government guidance issued in January 2021 into consideration. |
| 38. | <p>There are no updates to the ESIA's relating to the following proposals:</p> <ul style="list-style-type: none"> • Review of telecare rental charges : 73% of respondents supported this proposal. • Improved use of appropriate lifting equipment to help reduce double handed care: 75% of respondents supported this proposal. <p>An additional ESIA has been developed to consider the equality impacts of the Council Tax increase proposals. The Cumulative Impact Assessment has been updated following careful consideration of all feedback received. The Cumulative Impact Assessment has also been updated to consider the impacts of Covid-19 and ensure that all budget proposals are considered in the context of the ongoing effects of COVID-19 and lockdown restrictions on Southampton residents.</p> <p>67 residents made comments regarding the value of pursuing a bid to be UK City of Culture 2025. The summary of consultation results (Members Room Document 3) captures these, but in essence concerns were expressed querying the justification, the economic benefit and value for money from the investment allocated in the budget. In the recent city Survey around 82% of responders (from a total of 1,183 returns) indicated that they are in favour of the city placing a bid, with the key aims of supporting the city's recovery and long term ambitions. History has demonstrated that being awarded the status of UK City of Culture has significant impact on both social and economic progress for the winning City. Throughout 2017, the value of tourism to the city of Hull as a result of being awarded City of Culture status was £300M, with over 6 million visits to the city. 1 in 4 businesses within the city employed new staff and more than 800 new jobs were created leading up to the year itself. During Hull's year of UK City of Culture in 2017, 9 out of 10 residents engaged with at least one cultural event and over 56,000 school children took part in activities.</p> |
| | <p><u>Summary of consultation feedback</u></p> |
| 39. | <p>A summary of the consultation feedback is given in Members room document 3. The feedback from the consultation with residents and stakeholders has not led to recommendations that Cabinet change or remove any Budget savings proposals. As outlined above, feedback identified impacts to particular Protected Characteristic groups which had not previously been identified. These impacts were carefully considered and relevant mitigations will be put in place as outlined in the ESIA's. Other feedback demonstrated that clarification was required in the documentation to reassure residents that all assessed needs will continue to be met under the Care Act 2014, and the ESIA's have been updated to reflect this.</p> |

| <u>EQUALITY AND SAFETY IMPACT ASSESSMENTS</u> | |
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| 40. | The Equality Duty is a duty on public bodies which came into force on 5 th 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. |
| 41. | 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. |
| 42. | Updated Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIAs are available in Members' Rooms. |
| 43. | 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 ESIA is available to view in the Members Rooms. |
| <u>RESOURCE IMPLICATIONS</u> | |
| <u>Capital/Revenue</u> | |
| 44. | The capital and revenue implications are fully detailed within the report. |
| <u>Property/Other</u> | |
| 45. | There are no specific property implications arising from this report other than the schemes already referred to within Appendix 2 and Appendix 3 of the report. |
| <u>LEGAL IMPLICATIONS</u> | |
| 46. | 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. |
| 47. | 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 |

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| | 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. |
| 48. | 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. |
| 49. | The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 th March 2021 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. |
| 50. | 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. |
| 51. | 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. |
| 52. | 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 being included alongside the budget and council tax setting report to both cabinet and full council in February. |
| 53. | 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. |
| 54. | Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 4, which Members are directed to have regard to in reaching their decision. |
| 55. | Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal. The proposals within this report relating to Housing Service Charges are subject to additional legal considerations set out below. |

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| 56. | In relation to the Housing Revenue Account Service charges, the Council can make a charge for services it provides to council tenants in addition to a charge for rent pursuant to the Housing Act 1985 and also in compliance with paragraph 2 of the Council's standard tenancy agreement. The Council is permitted to introduce new charges and vary existing charges so long as it follows the procedure set out in the Housing Act 1985 and complies with the Rent Standard and Guidance produced by Homes England. In particular any service charges must reasonable transparent and are limited to covering the actual cost for providing the services. |
| <u>Other Legal Implications</u> | |
| 57. | The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the council's Constitution. As part of the review process by the Council's Management Team, the proposals contained in this report have been checked from a legal viewpoint. |
| 58. | <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; |

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| | <ul style="list-style-type: none"> • gender reassignment; • pregnancy and maternity; • race; • religion or belief; • sex; • sexual orientation. <p>Details of how the Council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISA's which Members must have regard to in reaching their decision.</p> |
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RISK MANAGEMENT IMPLICATIONS

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| 59. | The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis and forms part of the Financial Monitoring Report included elsewhere on this agenda. |
| 60. | 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 18 to 29. |

POLICY FRAMEWORK IMPLICATIONS

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| 61. | The Medium Term Financial Forecast and the Budget are key parts of the Policy Framework of the Council and a budget and council tax for 2021/22 must be proposed by the Cabinet for consideration by the full council under the Constitution. The update of the Capital Programme forms part of the overall Budget Strategy of the Council. |
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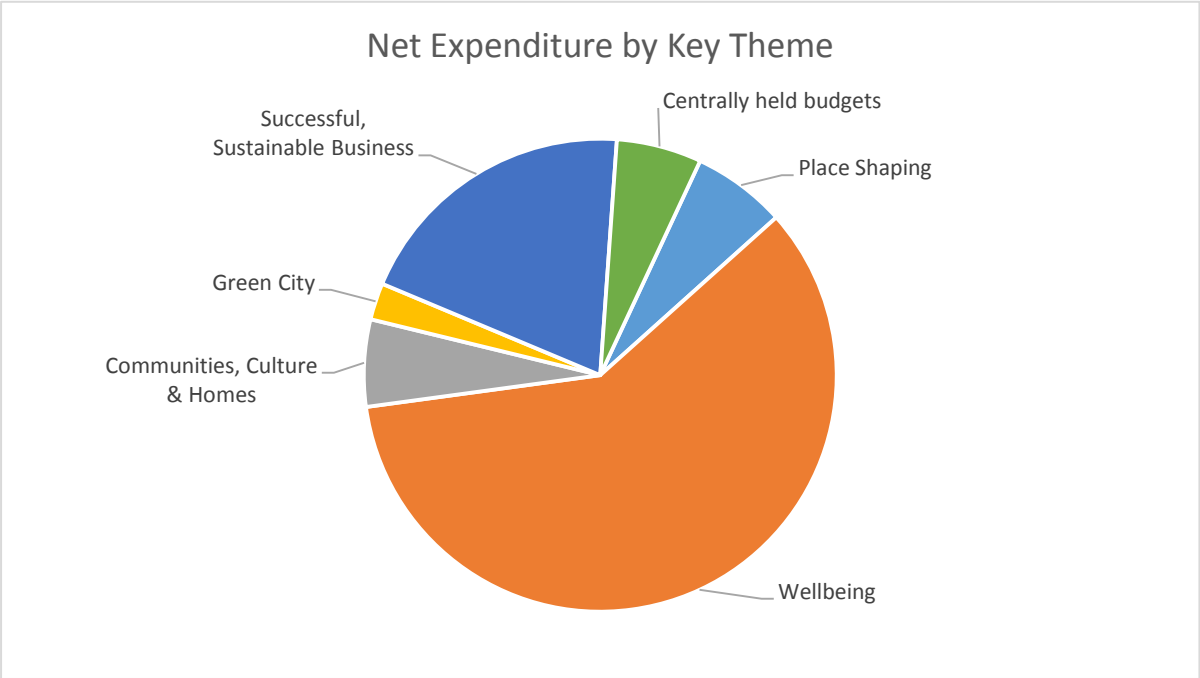
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|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| KEY DECISION? | Yes | |
| WARDS/COMMUNITIES AFFECTED: | All | |
| <u>SUPPORTING DOCUMENTATION</u> | | |
| Appendices | | |
| 1. | The Revenue Budget 2021/22 and MTF 2021/22 to 2024/25 | |
| 2. | The Capital Programme and Strategy 2020/21 to 2025/26 | |
| 3. | HRA Revenue Budget 2021/22 and Capital Programme 2020/21 to 2025/26 | |
| 4. | Statutory Power to Undertake Proposals in the Report | |
| 5. | HRA scheme details (confidential) | |
| Documents In Members' Rooms | | |
| 1. | Updated Equality and Safety Impact Assessments (ESIAs) | |
| 2. | Cumulative Impact Assessment | |
| 3. | Budget Consultation Feedback Report | |
| Equality Impact Assessment | | |
| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out. | | Yes |
| Privacy Impact Assessment | | |
| Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out. | | No |
| Other Background Documents | | |
| Other Background documents available for inspection at: | | |
| Title of Background Paper(s) | | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
| 1. | Update on budget for 2021/22 including COVID, budget shortfall and potential savings | |
| 2. | | |

| THE REVENUE BUDGET 2021/22 AND MEDIUM TERM FINANCIAL FORECAST 2021/22 TO 2024/25 | |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>INTRODUCTION</u> | |
| 1. | <p>This report sets out how the budget for 2021/22 will be balanced whilst minimising the impact on front line services of the authority. The proposed net revenue budget for 2021/22 is £173.9M. This includes £28.2M of government grants relating to the Council’s share of the deficit on the Collection Fund carried forward from 2020/21 via revenue reserves under accounting arrangements. Excluding the government grants carried forward the net revenue budget for 2021/22 would be £202.0M, compared with the current year of £191.0M. The report also provides an update on the Medium Term Financial Forecast (MTFF) for the period to 2024/25.</p> |
| 2. | <p>The local government finance settlement confirmed an increase in core council tax of up to 2% could be applied without the need for a local referendum. It also confirmed that the adult social care levy continues to apply, with the flexibility to raise the council tax by up to 3% in 2021/22 for this purpose, with the option to defer all or part of the increase to 2022/23.</p> <p>The authority proposes to increase the core council tax by 1.99% and, to provide additional funds for budget pressures within adult’s services, to apply an increase of 3% for the adult social care precept element of the council tax. Applying the flexibility of a 3% rise specifically for Adult Social Care will provide for around £3.0M in additional revenue, which will go towards meeting the underlying escalation in costs experienced within Adult Social Care from the rising client numbers and increasingly complex care needs.</p> |
| 3. | <p>The Government has also provided some additional funds for adult and children’s social care, via £300M nationally in specific grant and the existing social care grant and improved better care fund have been rolled forward into 2021/22. However, adequate funding for all social care continues to be a major concern over the longer term.</p> |
| 4. | <p>The Council is required to prepare a separate Capital Strategy, setting out a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. Details regarding the Council’s Capital Strategy and Capital Programme are set out in Appendices 2 and 3 to the budget report. The revenue implications of the capital programme are built into the General Fund Medium Term Financial Forecast and the Housing Revenue Account Business Plan.</p> |
| <u>STRATEGIC CONTEXT</u> | |
| <u>Spending Review 2020</u> | |
| 5. | <p>Following a one-year Spending Round in 2019 covering only 2020/21, a multi-year comprehensive spending review had been expected during 2020. However, in order to prioritise the response to COVID-19, and focus on supporting jobs, the Government decided to conduct a further one-year only Spending Review.</p> |
| 6. | <p>The main features of the Spending Review published on 25 November 2020 were the announcement of support for COVID-19 expenditure and income pressures in 2021/22, additional funding for social care alongside continuation of existing social care grants, and proposals to consult on a 2% core council tax increase and 3% adult social care precept. Whilst the flexibility provided is welcome, details of a long-term funding approach from Government would be a significant improvement on current arrangements, as well as supporting effective planning and decision making.</p> |

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| | Additional funding for investment in infrastructure was also announced in the Spending Review. |
| 7. | Further details of the Spending Review are provided in section 2.3.1 of the Medium Term Financial Forecast (Annex 1.1). |
| 8. | A further one year delay to the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review were announced earlier in the year. In addition, the next business rate revaluation was deferred by a year to April 2023. |
| <u>Provisional Local Government Finance Settlement</u> | |
| 9. | The 2021/22 provisional settlement was announced on 17 December 2020. It largely confirmed the announcements in the Spending Review 2020, providing allocations at individual local authority level. Further information on COVID-19 support for local authorities for 2021/22 was published alongside the settlement. |
| 10. | Funding arising from the settlement was broadly as anticipated in the 2021/22 budget update report in December, aside from a new un-ringfenced lower tier services grant. |
| 11. | Further details of the provisional settlement are provided in section 2.3.2 of the Medium Term Financial Forecast (Annex 1.1). Allocations were confirmed in the final settlement, approved by Parliament on 10 February 2021. |
| <u>Other national issues affecting the MTFF</u> | |
| 12. | Responding to the COVID-19 pandemic has been the priority for both central and local government over this last year and will continue to be so in the near term. Southampton City Council has played a critical role in helping to lead the local response. The pandemic has had a significant financial impact on the Council, through additional costs, reduced income and savings that cannot be delivered. The financial effects of the pandemic will continue to be felt over the medium term. |
| 13. | The ending of the transition period for the UK's exit from the European Union occurred on 31 December 2020, with a free trade agreement being reached with the EU. The impact on the UK economic situation, on public finances and on local government as well as the local workforce with regard to the availability of people in areas like social care, which have become heavily dependent on EU nationals, remains to be seen. |
| 14. | Further details are set out in section 2.2.2 of the Medium Term Financial Forecast (Annex 1.1). |
| <u>LOCAL CONTEXT</u> | |
| <u>Council Priorities</u> | |
| 15. | The revenue budget and MTFF are integral to the delivery of the City Council Corporate Plan. The Plan sets out how we will achieve our vision of Southampton as a city of opportunity and has five key themes to deliver the strategic goals of a greener, fairer, healthier city, which are: <ul style="list-style-type: none"> • Place Shaping • Wellbeing • Communities, Culture, & Homes • Green City • Successful, Sustainable Business |

16. The Council’s budget setting process centres around these key themes to ensure resources are directed towards agreed priorities. Chart 1 below shows the £191.0M revised net revenue expenditure budget for 2020/21 broken down over key themes.

17. Chart 1 – Net revenue expenditure by key theme



Government Funding Reductions

18. The settlement funding assessment (SFA) is the Government’s calculation of funding required by a local authority after allowing for income generated from council tax.

19. The Government’s austerity measures have resulted in a significant reduction in the Council’s settlement funding assessment over recent years. Between 2013/14 (when the current local government finance system was introduced) and 2019/20, the Council’s SFA reduced by almost a half from £121.0M to £65.3M.

20. For 2021/22 the SFA has been given an inflationary uplift in the local government finance settlement of less than £0.1M. Taken together with the inflationary uplift applied in 2020/21, this only equates to a £1.1M increase compared to the £55.7M reduction over the previous 6 years.

21. Further details are provided in section 1.1.1 of the Medium Term Financial Forecast (Annex 1.1).

Cumulative Budget Reductions

22. Southampton City Council has agreed budget reductions including cuts worth over £162.7M in its budget from 2012/13 to 2020/21 and including any step-up in amounts for future years, which has been a necessary part of achieving a balanced budget. More details are included in section 1.1.2 of the Medium Term Financial Forecast (Annex 1.1).

MEDIUM TERM FINANCIAL FORECAST AND GENERAL FUND BUDGET

23. The Medium Term Financial Forecast (MTFF) provides a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council’s priorities.

24. There are 6 key aims are:

| | <ul style="list-style-type: none"> To provide financial parameters within which budget and service planning should take place; To ensure the Council sets a balanced budget; To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability; To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area; To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and To ensure that the Council's long term financial health and viability remain sound. | | | | | | | | | | | | | | | | | | |
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| 25. | The MTFE goes up to the financial year 2024/25 however, given no public expenditure proposals or funding allocations beyond 2021/22 and uncertainty around the impact of the COVID-19 pandemic, the future years are only indicative at this stage. | | | | | | | | | | | | | | | | | | |
| | <u>Update on budget for 2021/22 at December 2020</u> | | | | | | | | | | | | | | | | | | |
| 26. | A report providing an update on the budget for 2021/22 in the light of COVID-19 pressures was presented to Cabinet in December 2020. | | | | | | | | | | | | | | | | | | |
| 27. | The report outlined budget pressures being faced by the Council and set out draft proposals and measures to help mitigate the forecast budget shortfall. The proposals within the report did not achieve a balanced budget for 2021/22, with a shortfall of £3.97M still to be addressed. The report is available as agenda item 9 at: .Agenda for Cabinet on Tuesday, 15th December, 2020, 4.30 pm Southampton City Council | | | | | | | | | | | | | | | | | | |
| 28. | A summary of the proposals put forward in December is provided in Table 1 below. | | | | | | | | | | | | | | | | | | |
| | <p><u>Table 1 – General Fund Revenue Summary at December 2020</u></p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Shortfall - February 2020</td> <td>3.87</td> </tr> <tr> <td>Pressures net of use of specific reserves</td> <td>21.70</td> </tr> <tr> <td>Collection Fund deficit carried forward & reduced income</td> <td>7.95</td> </tr> <tr> <td>Estimated additional funding from Spending Review 2020</td> <td>(12.00)</td> </tr> <tr> <td>Savings proposals</td> <td>(10.26)</td> </tr> <tr> <td>Provisional use of uncommitted reserves</td> <td>(5.23)</td> </tr> <tr> <td>Extra income if 2% adult social care precept applied</td> <td>(2.06)</td> </tr> <tr> <td>Amended Budget Shortfall – December 2020</td> <td>3.97</td> </tr> </tbody> </table> | | 2021/22 £M | Budget Shortfall - February 2020 | 3.87 | Pressures net of use of specific reserves | 21.70 | Collection Fund deficit carried forward & reduced income | 7.95 | Estimated additional funding from Spending Review 2020 | (12.00) | Savings proposals | (10.26) | Provisional use of uncommitted reserves | (5.23) | Extra income if 2% adult social care precept applied | (2.06) | Amended Budget Shortfall – December 2020 | 3.97 |
| | 2021/22 £M | | | | | | | | | | | | | | | | | | |
| Budget Shortfall - February 2020 | 3.87 | | | | | | | | | | | | | | | | | | |
| Pressures net of use of specific reserves | 21.70 | | | | | | | | | | | | | | | | | | |
| Collection Fund deficit carried forward & reduced income | 7.95 | | | | | | | | | | | | | | | | | | |
| Estimated additional funding from Spending Review 2020 | (12.00) | | | | | | | | | | | | | | | | | | |
| Savings proposals | (10.26) | | | | | | | | | | | | | | | | | | |
| Provisional use of uncommitted reserves | (5.23) | | | | | | | | | | | | | | | | | | |
| Extra income if 2% adult social care precept applied | (2.06) | | | | | | | | | | | | | | | | | | |
| Amended Budget Shortfall – December 2020 | 3.97 | | | | | | | | | | | | | | | | | | |
| | <u>2020/21 General Fund Revenue Forecast Outturn</u> | | | | | | | | | | | | | | | | | | |
| 29. | The current forecast spending against the Council's net General Fund revenue budget for 'business as usual' activities (non COVID-19 related) of £191.0M is projected to be an adverse position for portfolios (£5.4M deficit), offset by a favourable variance on non-portfolio expenditure and corporate funds (£10.0M) leaving a surplus position of £4.6M. The major share of the adverse position within portfolio budgets is attributable to Children & Learning which has an adverse forecast variance of £5.8M compared to budget. | | | | | | | | | | | | | | | | | | |

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| 30. | The position for COVID-19 costs is reported separately. The forecast shortfall relating to pressures from COVID-19 for portfolios is £34.5M. After applying government funding/compensation, corporate funds, the surplus on business as usual activities and in-year savings the net shortfall is reduced to £1.8M. |
| 31. | Further details on the forecast outturn position for 2020/21 are included within the report on the Financial Monitoring for the period to the end of December 2020 to be considered by Cabinet at its meeting on the 23 February 2021. |
| 32. | The latest position for 2020/21, together with expectations about the direct and indirect impact from COVID-19, has been taken into consideration in updating the Medium Term Financial Forecast. |
| | <u>2020/21 Collection Fund Forecast Outturn</u> |
| 33. | Southampton City Council's share of the forecast deficit to be carried forward on the Collection Fund after applying government grant for business rates reliefs is £5.5M. This comprises a £2.7M deficit for Council Tax and a £2.8M deficit for business rates. The government has made regulations to require 2020/21 in-year deficits to be spread over 3 years. Consequently £3.1M of the deficit will be required to be met in 2021/22 and £2.4M will be carried forward to be met in 2022/23 and 2023/24. This has been taken into account in updating the Medium Term Financial Forecast. |
| 34. | The government has established a scheme to compensate local authorities for 75% of irrecoverable council tax and business rates losses for 2020/21. The Council is expected to benefit by £3.5M from this scheme, which will be carried forward via reserves and has been reflected in the 2021/22 budget. |
| 35. | Further details are included within the Financial Monitoring for the period to the end of December 2020 report to be considered by Cabinet at its meeting on the 23 February 2021. |
| | <u>Updated Medium Term Forecast</u> |
| 36. | <p>Given the considerable uncertainty over future spending and funding, both due to COVID-19 and the lack of a finance settlement from Government until very late in 2020, an update of the Medium Term Financial Forecast was not provided to Cabinet as part of the budget update report on 15 December 2020. A full update is now attached as part of this report (Annex 1.1).</p> <p>The following sections provide an update on the Council's resources, together with updated budget proposals and the outlook over the medium term.</p> |
| | <u>Council Resources</u> |
| | <u>Council Tax</u> |
| 37. | <p>The draft budget proposes an increase for the 'core' council tax level for 2021/22 of 1.99%. An increase of 3% is proposed for 2021/22 in relation to the Adult Social Care precept, with the funds generated earmarked for use in the Adult Social Care budget.</p> <p>This takes the overall charge for the Southampton City Council element of the council tax from £1,566.18 to £1,644.39 for a Band D household. For the typical household (the SCC median is a Band B), it means the increase amounts to an extra £1.17 per week.</p> |

| | |
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| | The full calculation is set out in Annex 1.2, which shows the council tax requirement for 2021/22 is £105.9M. Additional charges will be made by the Police and Fire authorities as set out in Annex 1.3. |
| 38. | The tax base has been calculated at 64,389 (Band D equivalents) for 2021/22, which represents a decrease of 1.6% on the tax base applied in 2020/21 (a loss of around £1.8M in council tax). The reduction stems from an estimated increase in the number of working age local council tax support claimants. |
| | <u>Business Rates</u> |
| 39. | Under the Business Rates Retention Scheme the Council will retain 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 S31 grant) for 2021/22 is £48.8M. The estimate includes anticipated losses from appeals to rateable values due to the COVID-19 pandemic and an expected increase in the number of empty properties. |
| 40. | The business rates income estimates included in the MTFF assume some business rates growth, based on an assessment of new developments that are already in the pipeline. A very cautious approach has been taken, with the following developments not yet factored in to growth estimates: <ul style="list-style-type: none"> • Bargate • Frobisher House • Mayflower Quarter (former Toys R Us site) |
| 41. | <u>Business Rates Pilot</u> Southampton City Council participated in the Solent business rates pool pilot during 2018/19 and 2019/20, along with Portsmouth City Council and the Isle of Wight Council. The benefit of the pilot was that a greater share of the growth in business rates was retained locally within the pilot area. The pilot scheme came to an end on 31 March 2020, however accumulated funds retained by the pool have been shared between participants and the Council has received a £3.6M one-off benefit. An estimated share of £3.3M had been anticipated in the MTFF agreed in February 2020 and factored in to the 2021/22 budget. |
| | <u>Government Grants</u> |
| 42. | <u>Revenue Support Grant</u> Following years of reductions due to austerity measures up to 2019/20, Revenue Support Grant (RSG) has seen two years of small inflationary uplifts. For 2021/22 the proposed inflationary uplift from government amounts to less than £0.1M, taking RSG to £11.0M. However, this compares with an RSG allocation of £72.7M when the current funding system was first introduced in 2013/14. |
| 43. | <u>New Homes Bonus</u> The Council's New Homes Bonus allocation for 2021/22 is £1.5M. This is a significant reduction when compared with the £4.1M received in 2020/21, reflecting government winding down the current scheme. The MTFF assumes that the final legacy payment for grant allocations in previous years will be made in 2022/23. The government launched a |

| | consultation alongside the final local government final settlement on 10 February 2021 on the future approach to rewarding housing growth. | | | | | | | | | | | | | | | | |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------|-------------|---------|----------------|--------|--------------------------------------|--------|-----------------------|--------|---------------------------|-------|--------------|-------|-----------------|-------|
| 44. | <p><u>Other Grants</u></p> <p>In the Spending Review 2020 the government announced support to local authorities to help meet COVID-19 costs in 2021/22. The Council's allocation for general support grant is £7.8M and its allocation for local council tax support grant is £2.8M (see paragraph 75 below).</p> | | | | | | | | | | | | | | | | |
| 45. | Further details on government grants is provided in section 1.2.3 of the Medium Term Financial Forecast (Annex 1.1) and a schedule of key grants received by the Council is included at Annex 1.4. | | | | | | | | | | | | | | | | |
| 46. | Chart 2 below shows how the Council's 2021/22 Net General Fund Budget of £173.9M is funded from council tax, business rates and government grants. Council tax revenue is by far the largest single element. | | | | | | | | | | | | | | | | |
| 47. | <p><u>Chart 2 Funding of 2021/22 Net General Fund Budget</u></p> <table border="1"> <caption>Funding of Net General Fund Budget</caption> <thead> <tr> <th>Source</th> <th>Estimated Amount</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td>£100.0M</td> </tr> <tr> <td>Business Rates</td> <td>£40.0M</td> </tr> <tr> <td>Other Non-Specific Government Grants</td> <td>£15.0M</td> </tr> <tr> <td>Revenue Support Grant</td> <td>£10.0M</td> </tr> <tr> <td>S31 Business Rates Grants</td> <td>£5.0M</td> </tr> <tr> <td>Top-Up Grant</td> <td>£2.0M</td> </tr> <tr> <td>New Homes Bonus</td> <td>£1.9M</td> </tr> </tbody> </table> | Source | Estimated Amount | Council Tax | £100.0M | Business Rates | £40.0M | Other Non-Specific Government Grants | £15.0M | Revenue Support Grant | £10.0M | S31 Business Rates Grants | £5.0M | Top-Up Grant | £2.0M | New Homes Bonus | £1.9M |
| Source | Estimated Amount | | | | | | | | | | | | | | | | |
| Council Tax | £100.0M | | | | | | | | | | | | | | | | |
| Business Rates | £40.0M | | | | | | | | | | | | | | | | |
| Other Non-Specific Government Grants | £15.0M | | | | | | | | | | | | | | | | |
| Revenue Support Grant | £10.0M | | | | | | | | | | | | | | | | |
| S31 Business Rates Grants | £5.0M | | | | | | | | | | | | | | | | |
| Top-Up Grant | £2.0M | | | | | | | | | | | | | | | | |
| New Homes Bonus | £1.9M | | | | | | | | | | | | | | | | |
| | <u>Budget Pressures and Investments</u> | | | | | | | | | | | | | | | | |
| 48. | The budget update report to Cabinet in December 2020 set out budget pressures that are anticipated to continue into 2021/22 from COVID-19 and other budget pressures for business as usual activities totalling £40.4M for 2021/22. Other pressures relate primarily to unavoidable costs, however also include some investments in key priorities of the Council. | | | | | | | | | | | | | | | | |
| 49. | Table 2 below sets out the updated position for projected expenditure pressures from both COVID-19 and business as usual activities. Reserve funding is being used to meet specific budget pressures as set out in the table. | | | | | | | | | | | | | | | | |

| 50. | <p>Table 2 – Summary of Budget Pressures and Investments</p> <table border="1"> <thead> <tr> <th data-bbox="220 241 1074 320">Key Theme</th> <th data-bbox="1082 241 1225 320">2021/22 £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="220 331 1074 365">Place Shaping</td> <td data-bbox="1082 331 1225 365">2.56</td> </tr> <tr> <td data-bbox="220 376 1074 409">Wellbeing</td> <td data-bbox="1082 376 1225 409">23.27</td> </tr> <tr> <td data-bbox="220 421 1074 454">Communities, Culture & Homes</td> <td data-bbox="1082 421 1225 454">2.26</td> </tr> <tr> <td data-bbox="220 465 1074 499">Green City</td> <td data-bbox="1082 465 1225 499">0.79</td> </tr> <tr> <td data-bbox="220 510 1074 544">Successful, Sustainable Business</td> <td data-bbox="1082 510 1225 544">14.99</td> </tr> <tr> <td data-bbox="220 555 1074 589">Centrally Held Budgets</td> <td data-bbox="1082 555 1225 589">(7.06)</td> </tr> <tr> <td data-bbox="220 600 1074 633">Total Budget Pressures</td> <td data-bbox="1082 600 1225 633">36.81</td> </tr> <tr> <td data-bbox="220 645 1074 678">Less:</td> <td data-bbox="1082 645 1225 678"></td> </tr> <tr> <td data-bbox="220 689 1074 723">Use of Social Care Demand Reserve to meet Social Care pressures</td> <td data-bbox="1082 689 1225 723">(12.86)</td> </tr> <tr> <td data-bbox="220 734 1074 768">Use of Digital Strategy Reserve to fund IT investment</td> <td data-bbox="1082 734 1225 768">(1.17)</td> </tr> <tr> <td data-bbox="220 779 1074 813">Total Net Budget Pressures</td> <td data-bbox="1082 779 1225 813">22.78</td> </tr> </tbody> </table> <p>Numbers are rounded</p> | Key Theme | 2021/22 £M | Place Shaping | 2.56 | Wellbeing | 23.27 | Communities, Culture & Homes | 2.26 | Green City | 0.79 | Successful, Sustainable Business | 14.99 | Centrally Held Budgets | (7.06) | Total Budget Pressures | 36.81 | Less: | | Use of Social Care Demand Reserve to meet Social Care pressures | (12.86) | Use of Digital Strategy Reserve to fund IT investment | (1.17) | Total Net Budget Pressures | 22.78 |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|---------------|------|-----------|-------|------------------------------|------|------------|------|----------------------------------|-------|------------------------|--------|-------------------------------|--------------|-------|--|-----------------------------------------------------------------|---------|-------------------------------------------------------|--------|-----------------------------------|--------------|
| Key Theme | 2021/22 £M | | | | | | | | | | | | | | | | | | | | | | | | |
| Place Shaping | 2.56 | | | | | | | | | | | | | | | | | | | | | | | | |
| Wellbeing | 23.27 | | | | | | | | | | | | | | | | | | | | | | | | |
| Communities, Culture & Homes | 2.26 | | | | | | | | | | | | | | | | | | | | | | | | |
| Green City | 0.79 | | | | | | | | | | | | | | | | | | | | | | | | |
| Successful, Sustainable Business | 14.99 | | | | | | | | | | | | | | | | | | | | | | | | |
| Centrally Held Budgets | (7.06) | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Budget Pressures | 36.81 | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: | | | | | | | | | | | | | | | | | | | | | | | | | |
| Use of Social Care Demand Reserve to meet Social Care pressures | (12.86) | | | | | | | | | | | | | | | | | | | | | | | | |
| Use of Digital Strategy Reserve to fund IT investment | (1.17) | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Net Budget Pressures | 22.78 | | | | | | | | | | | | | | | | | | | | | | | | |
| 51. | <p>Details of the final budget pressures for 2021/22 are included at Annex 1.5. Given the high degree of uncertainty and potential volatility with budget in 2021/22, against the impact of the pandemic, elements of the additional budget provision will not immediately be allocated to front line budgets but held subject to release by the Executive Director for Finance, Commercialisation & S151 Officer. This will apply to high risk areas, and should anticipated pressures not emerge, this would provide scope to redirect funds or hold them corporately against new or unexpected pressures, subject to the normal council governance rules around virement of budgets.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| 52. | <p>Assumptions have been made about which COVID-19 pressures are likely to continue beyond 2021/22 and which are likely to cease in the next financial year for the purposes of the MTFE (Annex 1.1).</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p><u>Savings</u></p> | | | | | | | | | | | | | | | | | | | | | | | | |
| 53. | <p>Savings proposals totalling £10.3M for 2021/22, with £6.7M in 2022/23 were published for consultation as part of the budget update to Cabinet in December 2020. Full details can be found in appendix 4 to that report which is available as agenda item 9 at: .Agenda for Cabinet on Tuesday, 15th December, 2020, 4.30 pm Southampton City Council</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| 54. | <p>The Council’s approach is to find savings through income generation and efficiencies to help address budget shortfalls, to minimise the impact on front line services. While maximising opportunities to generate income remains a key strand of the Council's strategy, the scope for doing so during a period of economic downturn is reduced, therefore greater emphasis will need to be placed on reducing costs and being innovative with service delivery.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| 55. | <p>Further work has been on-going to refine the savings proposals published in December 2020. Table 3 below gives a summary of the updated position, with details of the final savings proposals included at Annex 1.6.</p> | | | | | | | | | | | | | | | | | | | | | | | | |

56. Table 3 – Summary of Savings Proposals

| Key Theme | 2021/22 £M | 2022/23 £M |
|----------------------------------|----------------|---------------|
| Place Shaping | (2.38) | 0.00 |
| Wellbeing | (0.53) | (0.92) |
| Communities, Culture & Homes | (0.36) | (0.17) |
| Green City | (0.02) | (0.02) |
| Successful, Sustainable Business | (4.38) | (3.90) |
| Centrally Held Budgets | (3.00) | (2.14) |
| Total Savings | (10.68) | (7.14) |

The Council proposed a saving in December, by paying bus companies based on patronage for Concessionary Fares (as per the contractual terms).

At the time, this saving was forecast to be £1M for SCC and would provide bus operators with 75% of pre COVID-19 levels of concessionary fares income. Bus usage has since been badly impacted by the recent lockdown, with passenger numbers much more sharply reduced than expected, further delaying the recovery, which could mean a far lower payment from SCC than forecast.

Whilst still seeking a saving, the Council recognises how the situation has evolved and payments based only on current very low usage would be counter productive to maintaining services and supporting the recovery. We propose to engage constructively with the Bus Operators about reducing the Concessionary Fare Subsidy payment, whilst taking the Government guidance issued in January 2021 into consideration. However, this needs to strike a balance so we can ensure the essential bus network provides sufficient coverage, is in a position to respond positively to the national public transport recovery and is consistent with our green aims, also being fair to those reliant on public transport services including allowing access to essential services such as health.

It should also be noted that the Property Investment Fund saving of £2.75M previously included in the budget for 2020/21 onwards has had to be removed, following a change in the rules to access borrowing from the Public Works Loans Board (PWLB) by the Government.

Other MTFF Amendments57. Inflation

£1.1M has been allocated from the central inflationary pressures budget for 2021/22 for inflation on contracts. No allocation has been made at this stage for 2021/22 pay awards, pending further details on the local government pay settlement, however £0.5M (0.5%) has been allowed for within the budget.

£2.0M has been released from the central inflationary pressures budget as part of the savings proposals outlined above and a further £0.1M to help meet budget pressures.

58. Employer's Pension Costs

The Council's employer contributions to the Local Government Pension Scheme will remain at 18.2% of salary in 2021/22, the same rate as in the current year and as set by the actuary under the triennial valuation. Therefore, there is no additional cost to the Council.

| 59. | <p><u>Contingency</u></p> <p>£0.6M has been released from the centrally held contingency budget in 2021/22 to help meet budget pressures.</p> | | | | | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------|---------------------------------------|---------|---------------------------------|--------|-------------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------|---------|----------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------|----------------|
| | <p><u>Balances and Earmarked Reserves</u></p> | | | | | | | | | | | | | | |
| 60. | <p>The current General Fund Balance of £10.1M is considered to be appropriate to cover for unforeseen events and financial risks not provided for elsewhere.</p> | | | | | | | | | | | | | | |
| 61. | <p>A review of useable reserves has been undertaken as part of the budget planning process and an element of the uncommitted amount has been factored in to the MTFF to help offset the budget shortfall. Earmarked reserves (excluding schools' balances) are projected to reduce from £86.2M at the start of 2020/21 to £37.4M by the end of 2024/25. Further details are provided in section 1.4 of the Medium Term Financial Forecast (Annex 1.1).</p> | | | | | | | | | | | | | | |
| 62. | <p>In recognition of the increasing pressures being placed on both Adults and Children Social Care, a demand management reserve was established to cater for the risks faced with these costs. The Social Care Demand Risk Reserve, under these budget proposals, will have a balance of £7.4M by the end of 2024/25, but that is subject to potential further usage. The reserve was applied in the current year to address rising client numbers and costs within Children's services identified through in-year financial monitoring.</p> | | | | | | | | | | | | | | |
| 63. | <p>Table 4 sets out the net use of reserves included within the 2021/22 budget proposals. This does not include contributions to or from reserves agreed in previous years.</p> | | | | | | | | | | | | | | |
| 64. | <p><u>Table 4 – Use of Reserves</u></p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Net use of Social Care Demand Reserve</td> <td>(10.86)</td> </tr> <tr> <td>Use of Digital Strategy Reserve</td> <td>(1.17)</td> </tr> <tr> <td>Use of Medium Term Financial Risk Reserve</td> <td>(6.03)</td> </tr> <tr> <td>Government grant for additional 2020/21 business rates relief carried forward to offset Collection Fund deficit</td> <td>(24.71)</td> </tr> <tr> <td>Government compensation for 2020/21 irrecoverable tax losses carried forward to offset Collection Fund deficit</td> <td>(3.46)</td> </tr> <tr> <td>Net contribution (from) / to reserves</td> <td>(46.23)</td> </tr> </tbody> </table> | | 2021/22 £M | Net use of Social Care Demand Reserve | (10.86) | Use of Digital Strategy Reserve | (1.17) | Use of Medium Term Financial Risk Reserve | (6.03) | Government grant for additional 2020/21 business rates relief carried forward to offset Collection Fund deficit | (24.71) | Government compensation for 2020/21 irrecoverable tax losses carried forward to offset Collection Fund deficit | (3.46) | Net contribution (from) / to reserves | (46.23) |
| | 2021/22 £M | | | | | | | | | | | | | | |
| Net use of Social Care Demand Reserve | (10.86) | | | | | | | | | | | | | | |
| Use of Digital Strategy Reserve | (1.17) | | | | | | | | | | | | | | |
| Use of Medium Term Financial Risk Reserve | (6.03) | | | | | | | | | | | | | | |
| Government grant for additional 2020/21 business rates relief carried forward to offset Collection Fund deficit | (24.71) | | | | | | | | | | | | | | |
| Government compensation for 2020/21 irrecoverable tax losses carried forward to offset Collection Fund deficit | (3.46) | | | | | | | | | | | | | | |
| Net contribution (from) / to reserves | (46.23) | | | | | | | | | | | | | | |
| 65. | <p><u>Capital Asset Management</u></p> | | | | | | | | | | | | | | |
| 66. | <p>Capital financing costs are met from the Capital Asset Management budget held centrally within the Council. Further details regarding capital financing assumptions are included in the Treasury Management Strategy and Prudential Limits report to Governance Committee on 15 February 2021.</p> <p>As noted above the Property Investment Fund saving previously included in the budget has been removed. The Capital Asset Management budget has been reduced to reflect the removal of the associated capital financing costs.</p> | | | | | | | | | | | | | | |
| 67. | <p>Interest rate forecasts will continue to be monitored and their impact on major projects and the capital programme kept under scrutiny.</p> | | | | | | | | | | | | | | |
| | <p><u>Updated MTFF</u></p> | | | | | | | | | | | | | | |
| 68. | <p>Table 5 below summarises the changes since the position for 2021/22 reported to Cabinet in December 2020. Further details of the movements in the budget shortfall since December are provided in Annex 1.7. The new savings identified of £0.42M included in table 5 are anticipated mainly from reduced staff travel and lower office expenses on consumables, arising from the considerable increase in home working, and will have no front line impact.</p> | | | | | | | | | | | | | | |

| 69. | <p>Table 5 – Summary of Changes</p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Shortfall – December 2020</td> <td>3.97</td> </tr> <tr> <td>New budget pressures</td> <td>2.19</td> </tr> <tr> <td>Changes to budget pressures</td> <td>(5.75)</td> </tr> <tr> <td>New savings proposals</td> <td>(0.42)</td> </tr> <tr> <td>Changes to use of reserves</td> <td>0.53</td> </tr> <tr> <td>Release of centrally held budgets</td> <td>(0.67)</td> </tr> <tr> <td>Changes to grants</td> <td>(0.94)</td> </tr> <tr> <td>Changes to council tax and business rates estimates</td> <td>2.10</td> </tr> <tr> <td>Additional 1% Adult Social Care precept</td> <td>(1.01)</td> </tr> <tr> <td>Amended Budget Shortfall – February 2021</td> <td>0.00</td> </tr> </tbody> </table> | | 2021/22 £M | Budget Shortfall – December 2020 | 3.97 | New budget pressures | 2.19 | Changes to budget pressures | (5.75) | New savings proposals | (0.42) | Changes to use of reserves | 0.53 | Release of centrally held budgets | (0.67) | Changes to grants | (0.94) | Changes to council tax and business rates estimates | 2.10 | Additional 1% Adult Social Care precept | (1.01) | Amended Budget Shortfall – February 2021 | 0.00 |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|-----------------------------------------|---------------|----------------------|-----------------|-----------------------------|--------|-----------------------|--------|----------------------------|----------|-----------------------------------|----------|-------------------|----------------------------------|-----------------------------------------------------|--------------|-----------------------------------------|--------------|-------------------------------------------------|-------------|
| | 2021/22 £M | | | | | | | | | | | | | | | | | | | | | | |
| Budget Shortfall – December 2020 | 3.97 | | | | | | | | | | | | | | | | | | | | | | |
| New budget pressures | 2.19 | | | | | | | | | | | | | | | | | | | | | | |
| Changes to budget pressures | (5.75) | | | | | | | | | | | | | | | | | | | | | | |
| New savings proposals | (0.42) | | | | | | | | | | | | | | | | | | | | | | |
| Changes to use of reserves | 0.53 | | | | | | | | | | | | | | | | | | | | | | |
| Release of centrally held budgets | (0.67) | | | | | | | | | | | | | | | | | | | | | | |
| Changes to grants | (0.94) | | | | | | | | | | | | | | | | | | | | | | |
| Changes to council tax and business rates estimates | 2.10 | | | | | | | | | | | | | | | | | | | | | | |
| Additional 1% Adult Social Care precept | (1.01) | | | | | | | | | | | | | | | | | | | | | | |
| Amended Budget Shortfall – February 2021 | 0.00 | | | | | | | | | | | | | | | | | | | | | | |
| 70. | <p>The updated position over the period of the MTFE shows a budget shortfall of £26.6M of net expenditure over funding by 2024/25 (the end of the MTFE period) as set out in table 6.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 71. | <p>Table 6 – Forecast Budget Shortfall</p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td>173.85</td> <td>212.36</td> <td>220.22</td> <td>225.08</td> </tr> <tr> <td>Funding</td> <td>(173.85)</td> <td>(189.84)</td> <td>(192.91)</td> <td>(198.51)</td> </tr> <tr> <td>Forecast Budget Shortfall</td> <td>0.00</td> <td>22.52</td> <td>27.31</td> <td>26.57</td> </tr> </tbody> </table> | | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | Net Expenditure | 173.85 | 212.36 | 220.22 | 225.08 | Funding | (173.85) | (189.84) | (192.91) | (198.51) | Forecast Budget Shortfall | 0.00 | 22.52 | 27.31 | 26.57 | | |
| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | | | | | | | | | | | | | | | | | | | |
| Net Expenditure | 173.85 | 212.36 | 220.22 | 225.08 | | | | | | | | | | | | | | | | | | | |
| Funding | (173.85) | (189.84) | (192.91) | (198.51) | | | | | | | | | | | | | | | | | | | |
| Forecast Budget Shortfall | 0.00 | 22.52 | 27.31 | 26.57 | | | | | | | | | | | | | | | | | | | |
| 72. | <p>The medium term forecast includes the cautious assumption that there will be no further increases in the Adult Social Care precept. Nothing has been included for Government reward for housing growth once the current New Homes Bonus scheme comes to an end and Revenue Support Grant is assumed to be a flat cash allocation pending any changes to the local government finance system. If any of these assumptions are more favourable than anticipated this would reduce the budget shortfall.</p> <p>No allowance has been made for any new use of uncommitted reserves to help offset budget shortfalls in future years, although any such use would be one-off in nature and further action would need to be taken to replace one-off reserves funding with sustainable measures.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 73. | <p>Annex 1.1(a) to the Medium Term Financial Forecast (Annex 1.1) sets out the 2021/22 budget and projections for 2022/23, 2023/24 and 2024/25 by key themes, centrally held budgets and sources of funding.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 74. | <p>The Council will continue to keep the MTFE under review, given the high degree of uncertainty surrounding any potential impacts from the ongoing pandemic, Brexit and possible service pressures.</p> | | | | | | | | | | | | | | | | | | | | | | |
| <p><u>Local Council Tax Support Grant</u></p> | | | | | | | | | | | | | | | | | | | | | | | |
| 75. | <p>In 2020/21, Government provided £2.6M to the council for Council Tax Hardship Funding, which has been used to provide £150 reduction on council tax bills for those working age residents entitled to claim Local Council Tax Support, but still paying at least £150 normally. On recent take-up numbers, the grant looks to be insufficient.</p> <p>£2.8M of Local Council Tax Support Grant has been provisionally allocated as part of the finance settlement from Government for 2021/22. This is an un-ringfenced grant. The budget for 2021/22 has no proposals on how to apply this funding as yet, given it has only</p> | | | | | | | | | | | | | | | | | | | | | | |

| | |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | recently been received and the economic uncertainty means the take-up of any scheme will be uncertain during 2021. Proposals will therefore be brought forward during the year. |
| <u>ON-GOING BUDGET WORK IN 2021/22</u> | |
| 76. | <p>The budget report to Cabinet on 15 December 2020 noted that “the uncertainty around the council’s finances will persist into 2021/22 and will call for continued adaptability and agility in meeting the financial challenges faced, especially in relation to COVID-19”.</p> <p>The Council’s priorities, corporate processes and budget management will need to adapt to more challenging times with increased financial uncertainty. This will require greater adaptability and flexibility with our finances to ensure a sustainable financial position can be maintained over the longer term. To this end, it is anticipated that the Council will undertake in-year work during 2021/22 to review its budget, the financial pressures faced plus saving opportunities to ensure local services adapt to these challenges faced and provide value for money to our residents.</p> |
| Annexes | |
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| 3 | 2021/22 Council Tax Collection Fund Estimates |
| 4 | Government Grants |
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Southampton City Council
MEDIUM TERM FINANCIAL
FORECAST

2021/22 – 2024/25

MEDIUM TERM FINANCIAL FORECAST 2021/22 – 2024/25

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INTRODUCTION

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

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council faces considerable pressures and challenges, such as those relating to the COVID-19 pandemic. The MTFF 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 approach concentrates on the principles that will provide a strong direction for the medium term.

The key overriding aim of the MTFF is therefore:

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

The 6 key objectives of the MTFF are to:

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

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

The Council's budget setting process centres around the key themes contained within the City Council Corporate Plan to ensure resources are directed towards agreed priorities. The budget is presented to show the resources being allocated to these priority areas. The council will continue to develop its approach to budget setting to ensure its finances are fully aligned to the agreed goals of the Council. During the 2021/22 budget process, emphasis has been given to income generation and efficiency savings to help address the budget shortfalls the Council faces, to minimise the impact on front line services. It is expected that this approach will continue.

There is significant uncertainty about future funding levels for the Council, with the Government not setting any public expenditure plans beyond 2021/22 and reforms to the local government finance system being delayed. Added to this is the uncertainty around the impact of the COVID-19 pandemic. For these reasons the future years' position within this MTFF is only indicative at this stage.

SECTION 1. Local Financial Forecast

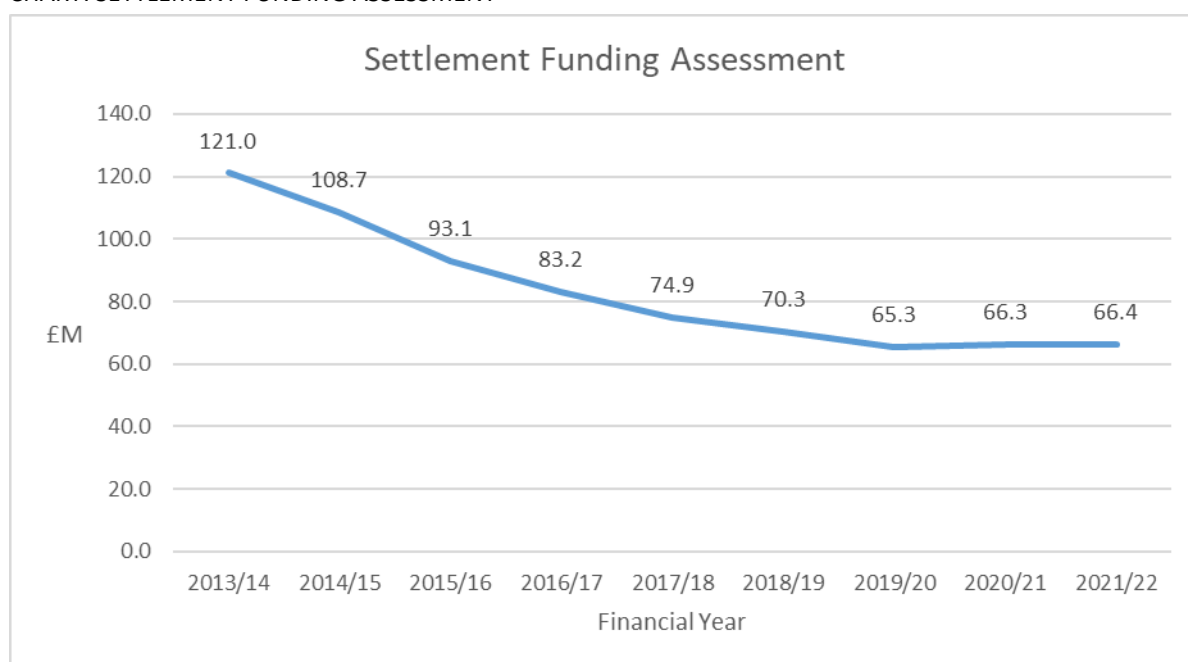
1.1 Financial Trends

1.1.1 Settlement Funding Assessment

The settlement funding assessment is the Government's measure of funding required by a local authority to meet net revenue expenditure after allowing for income generated from council tax. It is used to distribute revenue support grant to local authorities. In line with the Government's plans to reduce 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 2020/21 and 2021/22 an inflationary uplift has been applied, however the reductions in funding made in previous years have not been restored.

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

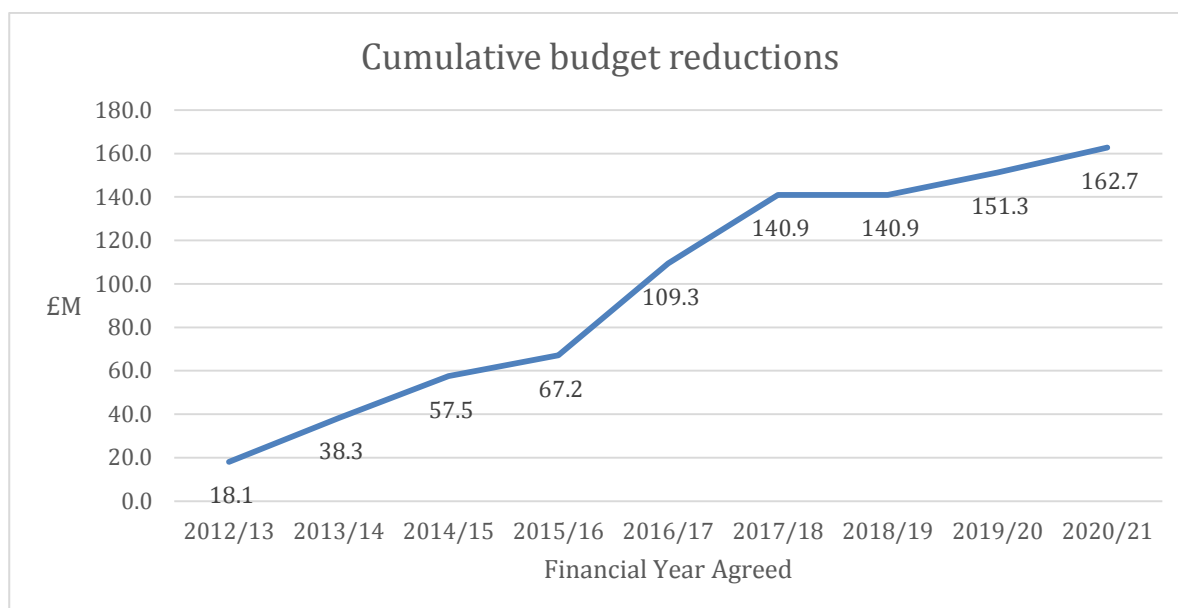
CHART: SETTLEMENT FUNDING ASSESSMENT



1.1.2 Budget Reductions History

In response to Government funding reductions and service expenditure pressures, the council has agreed some £163M of General Fund budget reductions over the last 9 years (see following chart). This level of reduction represents over three-quarters of the level of the 2020/21 net council revenue budget.

CHART: BUDGET REDUCTIONS HISTORY



Sustaining the level of savings required to achieve a balanced budget is becoming increasingly difficult. The Council had sought to change emphasis by generating growth via income to offset funding reductions and budget pressures, rather than make service reductions. However, the restrictions imposed to deal with the COVID-19 pandemic and the impact on the economy has made this approach more difficult in the short to medium term.

1.2 COUNCIL RESOURCES

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

TABLE 1 SUMMARY OF KEY FUNDING ASSUMPTIONS

| Item | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------|---------|---------|---------|---------|
| Increase in Council Tax | 1.99% | 1.99% | 1.99% | 1.99% |
| Increase in Adult Social Care Precept | 3.00% | 0.00% | 0.00% | 0.00% |
| Council Tax Base (No. of Band D equivalents) | 64,389 | 64,389 | 64,525 | 64,978 |
| Increase in Small Business Rates Multiplier | 0.0% | 2.0% | 2.2% | 2.1% |
| Increase in Revenue Support Grant | 0.55% | 0.0% | 0.0% | 0.0% |
| Reduction in New Homes Bonus | -63.1% | -55.3% | -100.0% | 0.0% |

1.2.1 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 2% for 2021/22 without the need for a local referendum. The assumption is that an increase of 1.99% will be applied in accordance with this limit, which will generate £2.0M of additional funding.

Local authorities with Adult Social Care responsibilities were also given the ability to increase council tax by up to 3% in 2021/22 provided this was allocated to help fund Adult Social Care budget pressures, with the option to defer all or part of the increase until 2022/23. The assumption is that a 3% increase to the Adult Social Care Precept will be applied in 2021/22, to maximise the funding available to meet Adult Social Care pressures. A 3% increase in 2021/22 will generate £3.0M extra funding for Adult Social Care.

As set out in Table 1 above, the assumption is that the council tax rise will be set at 4.99% in 2021/22 (a 1.99% general increase and 3.00% under the Adults Social Care Precept flexibility) giving a Band D Council Tax of £1,644.39 in 2021/22. The assumption for future years is a 1.99% increase in the core or general level of council tax. A further increase in the Adult Social Care Precept has not been assumed for future years. If the government makes further flexibility available, each additional 1% would generate £1.0M extra funding for Adult Social Care.

The council tax base that has been assumed for each financial year is detailed in Table 1. The tax base includes assumptions about increased levels of Local Council Tax Support for 2021/22 and over the medium term due to the impact on the economy of the COVID-19 pandemic. The reduction in tax base for 2021/22 comes after several years of growth as shown in the chart below.

CHART: CHANGE IN COUNCIL TAX BASE

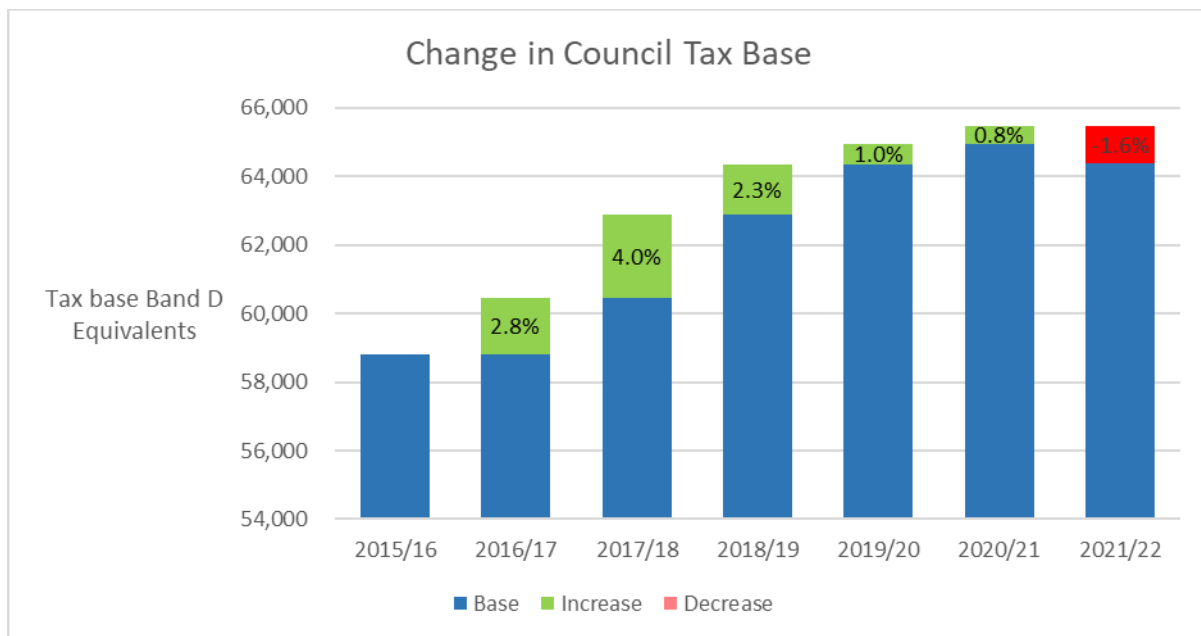


Table 2 below shows the council tax and Adult Social Care precept income that has been included in the medium term financial forecast at Annex 1.1(a).

TABLE 2 COUNCIL TAX INCOME

| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| Council Tax - General Precept | 93.88 | 95.99 | 98.35 | 101.25 |
| Council Tax - Adult Social Care Precept | 12.00 | 12.00 | 12.02 | 12.11 |
| Total Council Tax Income | 105.88 | 107.99 | 110.37 | 113.36 |

1.2.2 Business Rates

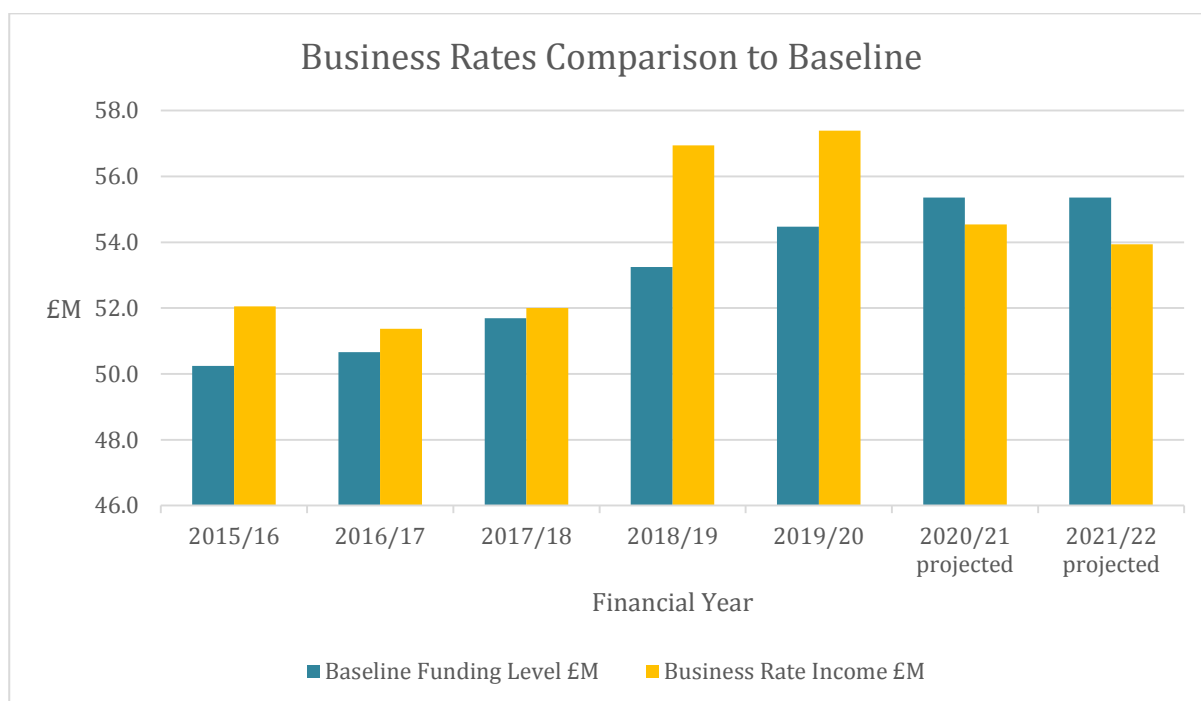
Under the Government's funding arrangements for local authorities the business rate retention scheme means councils retain a proportion of their business rates, including growth, but also take the risk of reductions in business rates during times of recession, although there are 'safety net' arrangements in place to protect against very large reductions. Local

authorities are compensated by way of S31 grant for reductions to business rates arising from changes in Government policy since the retention scheme was introduced e.g. additional reliefs and a lower uplift or freezing of the business rates multiplier.

The government has frozen the business rates multiplier for 2021/22. The MTFF assumes that it will increase with inflation thereafter as set out in Table 1 above.

There has been a cautious assumption built into the MTFF for business rates growth, this is based on an assessment of new property developments undertaken in conjunction with the Growth team. This estimate is based on projects which are already in the pipeline.

The graph below shows the growth in business rates income above the Government's baseline funding level since 2015 up to 2019/20 and the projected decline below the baseline for 2020/21 and 2021/22. The projected decline in business rates income is mainly due to estimated losses from appeals to rateable values due to the COVID-19 pandemic, together with an expected increase in the number of empty properties.



SOLENT REGION - BUSINESS RATES RETENTION PILOT

Southampton City Council participated in a business rates pilot during 2018/19 and 2019/20, as a part of the Solent Pool arrangement with Portsmouth City Council and the Isle of Wight Council. The benefit arising from the pilot was that an increased share of the proceeds of growth in business rates was retained within the pilot area. The pilot scheme came to an end in March 2020 and the accumulated funds retained by the Pool have been shared between the partners. Southampton City Council's share of the accumulated funds was £3.6M. An estimated share of £3.3M had been anticipated when the previous MTFF was agreed in February 2020 and factored in to the 2021/22 budget.

1.2.3 Government Grants

REVENUE SUPPORT GRANT (RSG)

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

As with the previous year, the government has applied an inflationary uplift to RSG in the 2021/22 settlement and the MTFF reflects this allocation, with an assumption of a cash flat allocation thereafter.

NEW HOMES BONUS (NHB)

Funding from the New Home Bonus continues into 2021/22, with this funded via a 'top-slice' of £622M nationally from the resources allocated to local authorities. Authorities are rewarded via the NHB for the additional homes built or empty properties brought back into use. Government stated as part of the settlement that this year will be the final year under the current approach and it has launched a consultation on the future of the NHB scheme including options for reform, so it is uncertain what funding will be provided beyond 2021/22. The Council did not receive a new allocation for 2021/22 for additional homes built because the growth in the number of properties in the Southampton area was not above the government's NHB threshold. However, a new allocation for empty properties brought back into use was received and the legacy payments for NHB allocations in 2018/19 and 2019/20 will continue in 2021/22. The MTFF assumes that the final legacy payment will be made in 2022/23. Table 3 below shows the assumed allocations in the MTFF.

TABLE 3 NEW HOMES BONUS ALLOCATIONS

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------|---------|---------|---------|---------|
| | £M | £M | £M | £M |
| Assumed New Homes Bonus | 1.51 | 0.68 | 0.00 | 0.00 |

PUBLIC HEALTH GRANT

The Public Health Grant continues to be a ring-fenced grant to local authorities in 2021/22. As at the time of writing the Government has not announced the allocations for 2021/22. After a number of years of reduction in Public Health Grant a real-terms increase was applied in 2020/21, as outlined in Table 4 below.

TABLE 4 PUBLIC HEALTH GRANT

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------------|---------|---------|---------|---------|---------|
| | £M | £M | £M | £M | £M |
| Public Health Grant allocations | 17.78 | 17.42 | 16.90 | 16.52 | 17.17 |

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 Spending Review 2020 the Government announced for 2021/22 support to local authorities to help meet COVID-19 costs, support towards costs for Local Council Tax Support, additional grant funding for social care and continuation of existing adult social care grants. For 2021/22 the Council received an allocation of £7.8M COVID-19 support funding, £2.8M Local Council Tax Support Grant, £8.5M Social Care Grant (of which £1.8M is new) and £10.4M Improved Better Care Fund (continuation of existing grant). For planning purposes it has been assumed that the majority of social care grant funding will continue in future years and this will therefore be a risk area should funds be discontinued.

1.3 OTHER FINANCIAL ASSUMPTIONS

1.3.1 Pay Inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2021. As a large proportion of the Council's expenditure is pay related, this can have a significant impact if actual rates are much

higher than predicated.

In the Spending Review 2020 the government announced a pay freeze for non-NHS public sector workers earning more than £24,000 a year. 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 current low level of general price inflation.

A 0.5% pay award has been assumed for 2021/22 and 1% rising to 2% for future years.

1.3.2 National Living Wage

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

The Council has adopted the National Living Wage Foundation's recommended living wage, which is currently £9.50 (set in November 2020 but implemented by the Council from 1 April 2021), for payment of SCC employees, and this rate is presently higher than the initial NLW (£8.91 from April 2021).

1.3.3 General Inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2021. There is a risk that should inflation increase at a higher rate than anticipated, our costs would rise, with many major contracts being uplifted by indexation linked to inflation on an annual basis.

The Consumer Price Index fell to a low of 0.3% in November 2020, however rose back up to 0.6% in December 2020 and is expected to gradually rise over the coming months. The Consumer Price Index is expected to be around 2.0% - 2.2% over the medium term and the Retail Price Index around 2.8% - 3.2%.

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

1.3.4 Pension Fund - Employer Costs

Employer contributions to the Hampshire Local Government Pension Scheme (LGPS) were reviewed as part of the 2019 triennial revaluation process and the rate applicable from April 2020 to March 2023 of 18.2% (incorporating past service costs) has been factored into the MTF. No changes to the rate have been assumed following the next triennial revaluation.

1.4 BALANCES AND EARMARKED RESERVES

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

The Executive Director for Finance, Commercialisation & S151 Officer recommends that the minimum level of the General Fund Balances should be £10.1M, which represents the current balance. This balance provides mitigation against any unforeseeable events the council may face, as well as potential overspends in demand led areas such as social care and safeguarding for both adults and children.

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

The financial risks facing the Council in the medium term are assessed within the MTFF. This includes assessing the risk of continuing reductions in Central Government funding, the subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the Council. The COVID-19 pandemic has increased the level of risk faced by the Council, both in the cost pressures faced and the economic impact on funding streams.

Reserves totalled £86.2M at the end of 2019/20. A review of useable reserves has been undertaken and the uncommitted element identified. The reserves available to the council, and their forecast future position, is given at Annex 1.1(b). The proposed budget strategy involves using an element of the available reserves to meet budget pressures in 2021/22 and 2022/23, particularly those relating to Adults and Children's Social Care. This will allow more time to develop proposals to make cost reductions or generate additional income as a way to balance the budget. Table 5 below shows the planned use of reserves within the MTFF.

TABLE 5 FORECAST USE OF EARMARKED RESERVES

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | £M | £M | £M | £M |
| MTFF as at February 2020 | 2.13 | 1.20 | 1.20 | 1.20 |
| Government grants carried forward from 2020/21 to offset Collection Fund deficit | (28.17) | | | |
| Other net use of reserves | (18.06) | (6.00) | (1.20) | (1.20) |
| Sub-Total | (46.23) | (6.00) | (1.20) | (1.20) |
| MTFF as at February 2021 | (44.09) | (4.80) | 0.00 | 0.00 |

Numbers are rounded

Reserve use and retention is an important part of the medium term financial forecast. Even after applying a proportion of the available reserves, it is estimated there will still be £37.4M left at the end of the MTFF period. Table 6 below shows the forecast General Fund earmarked reserves (excluding schools' balances) at the end of each financial year of the MTFF. See paragraphs 23 and 24 of the main report on reserves in the context of the S151 view of their adequacy.

TABLE 6 GENERAL FUND EARMARKED RESERVES

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £M | £M | £M | £M | £M |
| Total earmarked reserves (excluding schools' balances) | 92.43 | 42.63 | 37.64 | 37.37 | 37.37 |

The balance at the end of 2020/21 includes carry forward of £28.2M of government grants relating to the Council's share of the deficit on the Collection Fund, which under accounting arrangements is carried forward to be met from the General Fund revenue budget in future years. Excluding the government grants carried forward, the non-school earmarked revenue reserves are forecast to be £64.3M at 31 March 2021.

The reserves forecast includes a £9.4M deficit balance relating to an overspend against the Dedicated Schools Grant, comprising £7.4M overspend brought forward from 2019/20 and £2.0M forecast deficit for 2020/21. The DSG Grant is ring-fenced and the deficit will not impact on the General Fund and non-school services the council provides.

A further review of reserves and balances will be undertaken each year as part of the budget setting and final accounts

process to ensure the council has adequate resources to cover uncertainty and risk. As we potentially move towards a regime of a higher level of funding from business rates, which fluctuate with the business cycle, reserves will provide a cushion against any 'shocks' to council funding, or delay with savings or being unable to realise the assumed level of savings/income generation.

1.5 PRESSURES AND SAVINGS

1.5.1 Pressures and investments

Table 7 summarises the pressures and investments that have been included in the medium term financial forecast in Annex 1.1(a). These have arisen from the impact of the COVID-19 pandemic and demographic and other factors as set out in Section 2, as well as pressures that have been identified via the individual service areas through regular financial monitoring and review. Pressures from additional costs, loss of income and savings that cannot be achieved because of the COVID-19 pandemic are projected to be around £20.0M in 2021/22.

TABLE 7 SUMMARY OF PRESSURES AND INVESTMENTS

| Key Theme | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|----------------------------------------|---------------|---------------|---------------|---------------|
| Place Shaping | 2.56 | 2.47 | 2.02 | 2.02 |
| Wellbeing | 23.27 | 19.61 | 19.36 | 19.17 |
| Communities, Culture & Homes | 2.26 | 0.60 | 0.55 | 0.55 |
| Green City | 0.79 | 0.37 | 0.37 | 0.37 |
| Successful, Sustainable Business | 14.99 | 13.56 | 13.48 | 13.08 |
| Centrally held budgets | (7.06) | (7.22) | (7.22) | (7.22) |
| Total Pressures and Investments | 36.81 | 29.39 | 28.55 | 27.97 |

Numbers are rounded

1.5.2 Savings - Income Generation and Efficiencies

The Council's approach is to find savings through income generation and efficiencies to help address budget shortfalls, to minimise the impact on front line services. While maximising opportunities to generate income remains a key strand of the Council's strategy, the scope for doing so during a period of economic downturn is reduced, therefore greater emphasis is placed on reducing costs and being innovative with service delivery. Table 8 summarises the savings that have been included in the medium term financial forecast in Annex 1.1(a) to the MTF.

TABLE 8 SUMMARY OF SAVINGS

| Key Theme | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|----------------------------------|----------------|---------------|---------------|---------------|
| Place Shaping | (2.38) | 0.00 | 0.00 | 0.00 |
| Wellbeing | (0.53) | (0.92) | (0.92) | (0.92) |
| Communities, Culture & Homes | (0.36) | (0.17) | (0.17) | (0.17) |
| Green City | (0.02) | (0.02) | (0.02) | (0.02) |
| Successful, Sustainable Business | (4.38) | (3.90) | (3.90) | (3.90) |
| Centrally held budgets | (3.00) | (2.14) | (2.14) | (2.14) |
| Total Savings | (10.68) | (7.14) | (7.14) | (7.14) |

Numbers are rounded

1.6 FORECAST FINANCIAL POSITION 2021/22 – 2024/25

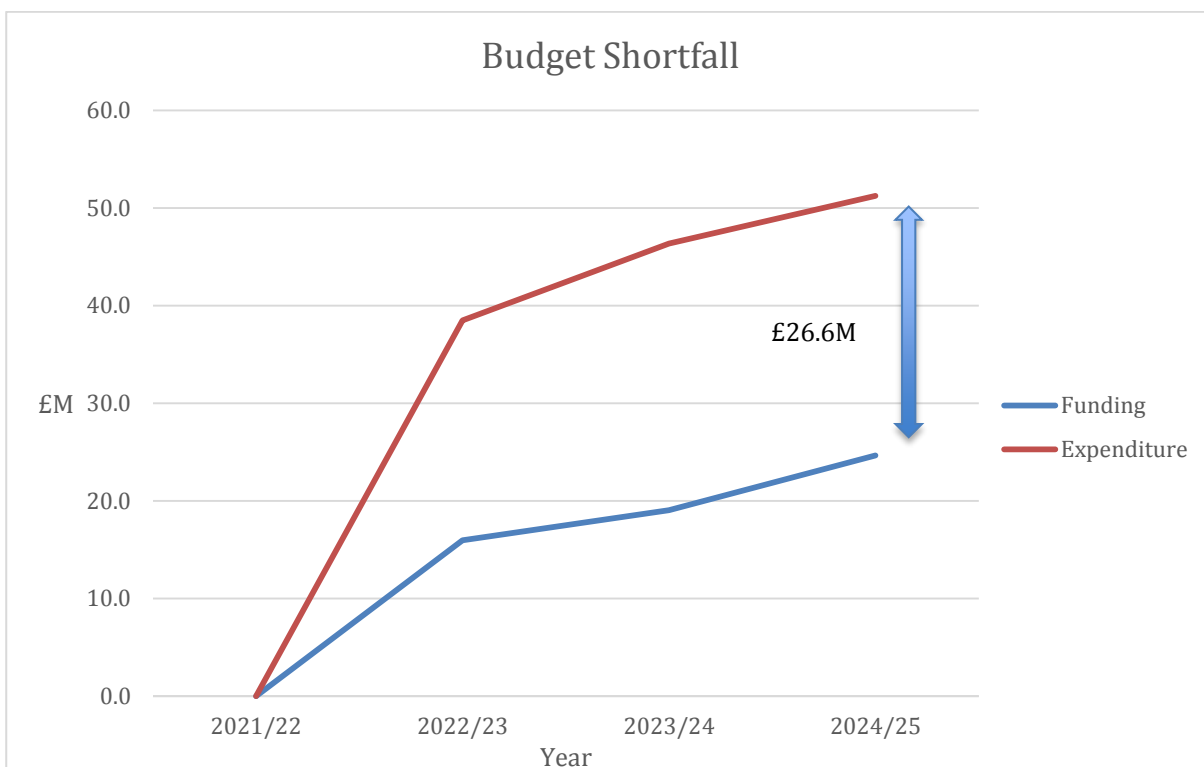
The Council’s current forecast financial position is detailed below and includes the implications of the local government finance settlement. It will be reviewed each year of budget setting to reflect any new pressures and any revision to the Council Strategy.

Where possible factors described in Section 2 have been built into the financial modelling to ascertain the forecast financial position. The graph below demonstrates the budget shortfall to 2024/25 as at February 2021. The outlook will be extended to 2025/26 when more is known from Government about their funding intentions.

Table 9 below shows the current summary position, with the detail being included in Annex 1.1(a) to the MTF. This shows the Council is required to achieve £26.6M savings over the period to 2024/25. Cost pressures that were already being faced by the Council have been exacerbated by the COVID-19 pandemic and combined with a loss in income from an anticipated economic downturn mean there is a significant budget shortfall to address over the medium term.

TABLE 9 FORECAST BUDGET SHORTFALL

| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|----------------------------------|---------------|---------------|---------------|---------------|
| Net Expenditure | 173.85 | 212.36 | 220.22 | 225.08 |
| Funding | (173.85) | (189.84) | (192.91) | (198.51) |
| Forecast Budget Shortfall | 0.00 | 22.52 | 27.31 | 26.57 |



The medium term forecast does not allow for any new general use of reserves to offset the budget shortfall or for an increase in the Adult Social Care Precept beyond 2021/22. A flat cash allocation for Revenue Support Grant has been assumed and nothing has been built in for Government reward for housing growth when the current New Homes Bonus scheme comes to an end. Cautious estimates for growth in both residential and commercial properties have been

assumed and a slow decline in the elevated rates of working age council tax support claims. If any of these factors are more favourable than anticipated this would reduce the budget shortfall.

1.7 CAPITAL PROGRAMME

Planned capital expenditure and the associated financing is detailed within the budget report for approval by Council in February 2021. The programme has been reviewed and reprofiled in light of the COVID-19 pandemic and changing priorities. A limited number of new investments have been considered and have been included in the proposed Capital Programme for 2020/21 to 2025/26. The government has changed the terms of borrowing from the Public Works Loans Board in relation to commercial property investments and therefore the planned Property Investment Fund expenditure has been removed from the capital programme. The proposed programme totals £842.9M and includes £466.4M for the General Fund and £376.5M for the HRA. The General Fund Capital Programme includes the following major commitments:

- £111.8M for Connected Southampton
- £85.5M for highways and transport schemes
- £22.4M for Green City Charter
- £28.3M for City regeneration
- £104.2M for schools and other education projects

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

1.8 HOUSING REVENUE ACCOUNT

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

The main points to note are:

- Following Full Council approval in July 2020, outline approval has been given for the remainder of the 1,000 homes project to be delivered. This is expected to be delivered over the next 5 years.
- The capital spending plans include provision to maintain and improve all existing dwellings and feature an increase in the level of planned expenditure in the early years.
- A provision of £409M (including inflation adjustment and the 1,000 homes approval) is set aside for stock replacement, which will support the renewal of any of the existing dwellings that may be required over the next 40 years.
- The revenue budget meets the minimum balances of £2M over the life of the Plan.

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

The COVID-19 crisis has caused disruption to the delivery of the capital programme through 2020/21 due to the measures taken as part of the response. There is also the risk of future rent arrears becoming bad debt at a cost to the HRA due to increased financial hardship as an economic consequence of the pandemic. An additional provision element has been set aside in the HRA to mitigate this.

1.9 KEY RISKS

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

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

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

- The impact of the COVID-19 pandemic;
- The lack of certainty in Government funding for future years including grants and the proposed new fair funding formula;
- Changes in function;
- Changes in how services are funded;
- Changes in the economy;
- Unmanaged service pressures and increases in demand;
- Council tax policy;
- Changes in legislation and government policy;
- Level of future pay awards and general inflation assumptions;
- Adequacy of contingencies in any one period;
- Business rate volatility, more frequent business rates revaluations and Business Rates Retention;
- Treasury Management and interest rate changes;
- Projected income levels from fees & charges;
- Non achievement of savings;
- Impact of National Living Wage;
- Level of provision for insurances;
- New burdens;
- Welfare reforms;
- Provider failure;
- Demographic changes; and
- Impact of the end of the transition period for exiting the European Union.

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

1. **Financial** – the majority of the future years' 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 Spending Review 2020 covers only 2021/22 and hence a further announcement is expected in 2021. Government has also postponed changes to its business rate retention scheme funding for local authorities and its fair funding review, both of which are now expected to be implemented for 2022/23. The impact of any positive or negative change to our future funding as a result of the next Spending Review or changes to the local authority funding system will need to be considered in due course.
3. **Treasury** – the MTFF is based on a reasonably stable global financial position going forward, taking into consideration that there are unknowns with regards to the impact that the COVID-19 pandemic may have on the Council's finances.

If the assumptions change it may have a major impact on the financial position of the Council particularly around business rate income, and interest payments

4. **Internal Change** – Service transformation will be required to address the budget shortfall over the medium term. Inevitably, such changes have associated risks.

1.10 MANAGING BUDGETS AND FORECASTING

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

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

CIPFA has introduced a new Financial Management Code, which will apply from 1 April 2021. The Code sets out the broad principles it requires for sound financial management and expects authorities to measure their own processes against the principles it sets out. The Council will ensure all our processes are reviewed for consistency with the good practice the Code expects. The FM Code principles are set out in Annex 1.1(d).

SECTION 2. Context

2.1 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 MTFF.

2.1.1 Southampton City Strategy 2015-2025

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

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

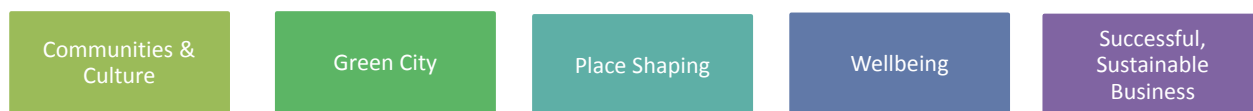
It also includes four cross cutting themes:

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

Southampton Connect works closely with the key city partnerships to deliver against the vision, priorities and themes. Partnerships include the Health and Wellbeing Board, the Local Outbreak Engagement Board and the Safe City Partnership.

2.1.2 Southampton City Council Strategy

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



2.1.3 Other Major Strategies

CUSTOMER STRATEGY 2018-2022

The Council's vision is:

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

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

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

DIGITAL STRATEGY 2018-2022

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

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

WORKFORCE DEVELOPMENT STRATEGY

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

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

2.1.4 Key Financial Strategies

CAPITAL STRATEGY

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

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

TREASURY MANAGEMENT STRATEGY

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Executive Director for Finance, Commercialisation & S151 Officer to make decisions on the management of the City Council's debt and investment of surplus funds.

INVESTMENT STRATEGY

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

BORROWING STRATEGY

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

2.2 POLICIES, PLANS AND OTHER FACTORS

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

2.2.1 Demographics

Population forecasts for Southampton and nationally show that more people are living longer and as a consequence average life expectancy is increasing. The fastest growing sector of the population is that aged 75 to 79 years. Forecasts predict the 75 to 79 years age group will rise by 30.5% between 2019 and 2026, whilst the number of people aged 75 and over is forecast to rise by 22.5% over the same period. Longer term projections, based on past trends, predict a 43.4% increase in over 65s in Southampton between 2016 and 2041.

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

As more people live longer the number of people living with dementia will continue to rise. It is anticipated that as techniques for diagnosing dementia will improve, this will add to the total number of individuals requiring support. In 2020 there were 1,581 Southampton residents recorded on GP registers as having dementia; this has increased from 1,549 in 2019. This increase represents increasing prevalence and the ageing of the population as well as increased diagnosis and recording by GPs.

2.2.2 National and Local Policy

COVID-19 PANDEMIC

The Government's priority over the last year has been and continues to be responding to the COVID-19 pandemic. Since the start of the crisis the Government has taken extensive and unprecedented action to tackle the virus and mitigate the financial impacts on individuals, families and businesses. At the outset the Cabinet Minister, Robert Jenrick, stated that "the government stands ready to do whatever is necessary to support councils in their response to coronavirus" and in the 2021/22 provisional local government finance settlement the Government reiterated its aim to "continue to support councils in dealing with the immediate impacts of the pandemic, to promote recovery and renewal at local level, and support and maintain critical mainstream services".

Southampton City Council has played a critical role in helping to lead the local response to COVID-19, both through its own services and via co-ordination with partner bodies such as the Local Resilience Forum (LRF). The aim has been to save lives, protect the NHS, ensure our residents are protected, help support those residents who need to shield as part of particularly vulnerable groups in the community and that crucial public services continue to operate. The Council has either put in place directly, or worked to support and deliver Government initiatives designed to protect our communities, local business and vulnerable people. These measures include:

- Providing additional financial support to adult social care providers, including support for infection control measures within care homes

- Administering grant payments to local businesses, council tax hardship discounts and self-isolation support payments
- Providing additional support for the homeless and rough sleepers to stay in local accommodation
- Operating an emergency food hub
- Providing additional local support to the test, track and trace process

COVID-19 has had a significant financial impact across many of the Council's services, in terms of demand for support in areas such as both Adults and Children's social care as well as many other services producing much higher than expected costs. At the same time, income has fallen significantly in many areas such as car parking and commercial property rental income. The impact from COVID-19 has also meant it has not been possible to implement planned budget savings.

The Government has provided general grant funding to local authorities to help meet costs arising from the pandemic, as well as compensation schemes for income and irrecoverable tax losses and funding for specific services and measures, however this is not sufficient to meet all of the costs/income losses that the Council faces.

END OF THE TRANSITION PERIOD FOR EXITING THE EUROPEAN UNION

Following the outcome of the referendum on 23 June 2016, the UK left the EU on 31 January 2020 and entered an 11-month transition period. On 24 December 2020, an EU-UK Trade and Cooperation Agreement was made in principle at negotiator's level. The Agreement was backed by Commons and Lords on 30 December and received Royal Assent on 31 December.

The agreement consists of:

- a free trade agreement
- cooperation on economic, social, environmental and fisheries issues
- a close partnership for citizens' security
- an overarching governance framework

Although a Trade Agreement is now in place, From 1 January 2021 a number of wider policy changes were introduced including:

- People planning to move between the UK and EU to live, work, or retire are no longer automatically allowed to do so
- The UK has introduced a points-based immigration system to EU citizens
- Travel rules are changing and people will need to ensure that their passport is still valid, that they have the right health care documents and the right driving documents before entering the EU

EU, EEA and Swiss citizens and their family members who wish to continue living as they do now in the UK (after 30 June 2021) need to obtain permission to remain by applying through the EU Settlement Scheme (the 'EUSS') by no later than 30 June 2021. So far over 25,000 Southampton residents have submitted their application.

The end of the transition period and beginning of a new relationship between the UK and EU will inevitably have an impact on the council's finances. This will include the ending of certain funding streams and changes to some of our financial processes such as procurement.

Southampton City Council will continue to monitor the impacts of the end of the EU Exit Transition period to understand the impacts on local businesses and the local economy.

2.2.3 Socio-Economic Factors

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

However, in addition in terms of economic growth in the 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.

LOOKED AFTER CHILDREN

From 2010 to 2015, the rates of referrals of children and young people to Children's Social Services continued to increase year on year. However, as can be seen from the table below, from 2015 onwards, there has been a downward trend in the rate per 10,000 (0-17) children from 1,322.2 in 2015 to 511.1 in 2019. We have, however, seen an increase in the rate per 10,000 children in 2020, increasing by 85% to 943.9. This is a lot higher than the national average, and now above the average of statistical neighbours. We have since seen the rate of referrals drop during the first 6 months of 2020/21, but they remain high.

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

| Year | Southampton CC | National Averages |
|------|----------------|-------------------|
| 2015 | 1322.2 | 548.3 |
| 2016 | 839.1 | 532.2 |
| 2017 | 610.9 | 548.2 |
| 2018 | 519.4 | 552.5 |
| 2019 | 511.1 | 544.5 |
| 2020 | 943.9 | 534.8 |

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).

Although Southampton's rate is still higher than the national average, it has from 2016 onwards, seen annual decreases in the rate - with the latest figure now 95. This remains at the same level as 2019, whilst England and South East generally have seen increases in rates of children in care.

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

| Area | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|------|------|------|------|------|------|
| Southampton CC | 120 | 120 | 108 | 104 | 95 | 95 |
| National Averages | 60 | 60 | 62 | 64 | 65 | 67 |

In the year ending March 2020, the council carried out 412.7 Section 47 Child Protection investigations for every 10,000 children compared with 167.2 per 10,000 nationally. The city had a rate per 10,000 children of 137.1 subject to an initial

child protection conference, compared with an average of 64.4 per 10,000 In England.

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

With regards to Looked After Children (LAC) numbers, from April to December 2020, the average number of children in care was 494, a slight decrease from the 2019/20 12-month average of 501. The figure in 2017/18 was 523 on average and in 2016/17 it was 593, showing a downward trend in the average numbers of Looked After Children.

The number of children in care has, from December 2016 onwards, remained under 600 and from July 2018 under 530. The majority of 2019/20 saw levels below 500. The average percentage of fostering placements made with independent fostering agencies, (IFA) from April to December 2020 was approx. 29% (an average of 143 placements over the period of April - November 2019). This is down from 150 during the same period last year. This could be due to the slight drop in Looked After Children so far this year.

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

We are continuing to review our contracts with IFAs to negotiate cost reductions as well as also increasing the numbers of 'in-house' foster carers through targeted recruitment, providing more options for in-house placements where appropriate. As at the end of December 2020, Southampton CC had 153 in-house foster carers, many of which can provide placements for more than one child.

2.2.4 Physical-environmental factors

HOUSING

In Southampton 25% of residents live in privately rented accommodation, which is higher than the average for comparator cities at 18% and the England average of 17%. There are around 6,500 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 15,895 managed by the council with 7,695 households on its housing waiting list. The council has a responsibility to ensure that its own properties meet minimum decency standards. As of January 2021, 34.7% of stock was non-decent as a result of the aging profile and the deteriorating condition of components.

The most up to date housing target for Southampton is set out in the Partnership for South Hampshire (PFSH) Spatial Position Statement 2016. This states that the target for Southampton is to deliver 19,450 dwellings during the period 2011-2034. The council recognises that the number of new affordable homes available needs to be increased, and the Executive has made a commitment to deliver 1,000 council homes by 2025, a £144M programme was approved at Cabinet and Council in July 2020.

2.2.5 Wider Partnership Working

BETTER CARE FUND

The Better Care Fund commenced 1 April 2015 and is framed within a formal contract with Southampton City Clinical Commissioning Group (SCCG) 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 2021/22 the provisional combined Better Care Fund budget is £131.9M, comprising £83.9M for the CCG and £48.0M for the Council.

2.2.6 Strategic Contracts

The Council has in previous years entered into a number of strategic contracts which have resulted in ongoing financial commitments. These include PFI contracts for schools 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, it can be lengthy and more difficult to renegotiate these contracts to reduce expenditure and the Council has already realised savings in previous financial years. The financial health of these major contractors is kept under review as part of the monitoring arrangements.

2.3 NATIONAL ECONOMIC AND PUBLIC EXPENDITURE PLANS

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

2.3.1 Spending Review 2020

The government published the Spending Review 2020 on 25 November 2020, setting out spending plans for the single financial year 2021/22. The Chancellor set out his 3 key priorities as: Responding to COVID-19, Stronger Public Services and Investment in Infrastructure. The key themes relevant to Southampton City Council were as follows:

COVID-19 Support

- Local government will receive around £3Bn additional funding for COVID-19 in 2021/22, of which £1.55Bn is for additional expenditure pressures, £670M for funding local council tax support and £762M to compensate 75% of irrecoverable loss of council tax and business rates revenues in 2020/21.
- An extension to the existing COVID-19 sales, fees and charges compensation scheme for a further 3 months until the end of June 2021.

Social Care

- £300M additional grant for adult and children's social care, with confirmation that the £1Bn social care grant in 2020/21 will be rolled forward.
- Local authorities with adult social care responsibilities will be able to levy a 3 per cent Adult Social Care precept.

Schools, Children and Young People

- The government reaffirmed its commitment to increase the funding for schools by £7.1Bn by 2022/23 compared with 2019/20 funding levels (£2.2Bn increase in the schools budget for 2021/22).
- £165M in 2021/22 for continuation of the Troubled Families programme.

Local Government Funding

- The government will consult on a 2 per cent council tax referendum threshold (in addition to the 3 per cent for the social care precept).
- Revenue Support Grant would be increased in line with inflation.
- The small business rates multiplier will be frozen in 2021/22 (instead of increasing by inflation), with local authorities fully compensated for any loss of income.
- A fundamental review of the Business Rates System will report in Spring 2021.
- There will not be a reset of the business rates baseline in 2021/22 i.e. no change to the current Business Rates

Retention Scheme and councils will continue to benefit from any past growth in their local business rates.

- New Homes Bonus will continue for a further year with no new legacy payments.

Infrastructure

- The government will reduce the Public Works Loan Board (PWLB) borrowing rate by 100bps (1%) for all new Standard Rate loans and 0.8% on Certainty Rate loans.
- New Levelling Up Fund worth £4Bn - local areas to bid to fund local projects.
- £1.7Bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, to relieve congestion and boost connectivity.

Other Measures

- A further £254M funding to tackle homelessness and rough sleeping (of which £103M had already been announced).
- Local authority spending through the Public Health Grant will continue to be maintained.
- Public sector pay rises to be paused next year for other than 1 million NHS workers and those earning below £24,000 - the latter will be guaranteed a £250 annual pay rise.

2.3.2 Provisional Local Government Finance Settlement 2021/22

The 2021/22 provisional settlement was announced on 17 December 2020. It largely confirmed the announcements made in the Spending Review 2020 published 3 weeks earlier, providing allocations at individual local authority level. Further information on COVID-19 support for local authorities for 2021/22 was published alongside the settlement. Additional announcements made are as follows:

- A new £111M un-ringfenced Lower Tier Services Grant which incorporates a minimum funding floor so that no authority sees an annual reduction in Core Spending Power.
- An extra £125M new burdens funding for local authorities to provide safe accommodation for victims of domestic abuse and their children (a new duty included in the Domestic Abuse Bill).
- £15M in 2021/22 to implement Sir Tony Redmond's recommendations for strengthening the local audit system.
- Details of the proposed local tax income guarantee scheme for irrecoverable council tax and business rates losses in 2020/21.

For Southampton the impact of the settlement in terms of grant funding is included in the council resources outlined in Section 1.

2.3.3 Financial outlook for 2022/23 and after

The Government's priority of responding to the COVID-19 pandemic has meant a further year's delay to the planned implementation of changes to the local government finance system until at least April 2022. If the Government continues with plans to make changes through reform of the business rates retention system and the fair funding review, these changes would increase the proportion of business rates retained locally from 50% to 75%. This would be done in a financial neutral way at a national level, with grants such as Public Health Grant, which is currently ring-fenced, being replaced by a share of retained business rates as revenue funding.

The anticipated multi-year spending review, setting out the Government's public expenditure plans over the medium term, was also postponed by a year until 2021.

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

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

Therefore, most local authority funding is set to come from council tax and business rates from 2022/23 onwards. However, projections indicate that revenues will struggle to keep up with demand and cost increases, even allowing for continued council tax rises and efficiency measures.

The major budget pressures felt across adults and children's social care remain key factors in the sustainability of local government finance. The Government's proposals for putting the adult social care system on a sound financial footing are keenly awaited.

Conclusion

This MTFP provides a robust framework for setting the budget for 2021/22 and ensuring the Council remains in a sustainable financial position over the medium term. The current forecast position is extremely challenging, with the additional budgetary pressures arising from the COVID-19 pandemic adding to those faced through increasing demand for key statutory services. Responding to the COVID-19 pandemic has been the primary focus this year, which has inevitably meant taking some short term measures such as the use of reserves to balance the budget for 2021/22. However, many of the budget pressures faced are ongoing, therefore action will need to be taken to find long term solutions for addressing the future years' budget shortfalls.

The MTFP will be kept under regular review, and funding assumptions will be amended where Government announcements provide more clarity on funding beyond 2021/22. Irrespective of those announcements, the Council will pursue a policy of maximising its efficiency, but also providing arrangements and supporting services in generating additional income to help offset the budgetary pressures faced.

MEDIUM TERM FINANCIAL FORECAST MODEL

GENERAL FUND REVENUE ACCOUNT

| | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | | 2024/25 | | |
|------------------------------------------------------------------------|-------------------------------|---------------------|------------------------------|-------------------------------|---------------------|------------------------------|-------------------------------|---------------------|------------------------------|-------------------------------|---------------------|------------------------------|-------------------------------|---------------------|------------------------------|
| | Approved 2020/21 Budget | Forecast Changes | Revised 2020/21 Budget | Approved 2021/22 Budget | Forecast Changes | Revised 2021/22 Budget | Approved 2022/23 Budget | Forecast Changes | Revised 2022/23 Budget | Approved 2023/24 Budget | Forecast Changes | Revised 2023/24 Budget | Approved 2024/25 Budget | Forecast Changes | Revised 2024/25 Budget |
| | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M |
| Approved Budget As at Feb 2020 | | | | | | | | | | | | | | | |
| Place Shaping | 12.31 | (0.03) | 12.27 | 12.61 | 0.00 | 12.61 | 12.42 | 2.29 | 14.71 | 12.42 | 1.84 | 14.26 | 12.42 | 1.84 | 14.26 |
| Wellbeing | 109.59 | 4.03 | 113.62 | 111.22 | 21.56 | 132.78 | 112.44 | 19.50 | 131.95 | 112.44 | 19.25 | 131.70 | 112.44 | 19.06 | 131.51 |
| Communities, Culture & Homes | 8.96 | 2.41 | 11.37 | 8.27 | 2.26 | 10.53 | 8.34 | 0.79 | 9.13 | 8.34 | 0.74 | 9.08 | 8.34 | 0.74 | 9.08 |
| Green City | 4.81 | (0.01) | 4.80 | 4.66 | 0.56 | 5.22 | 4.76 | 0.14 | 4.90 | 4.76 | 0.14 | 4.90 | 4.76 | 0.14 | 4.90 |
| Successful, Sustainable Business | 28.60 | 1.22 | 29.82 | 24.26 | 13.13 | 37.39 | 25.36 | 8.80 | 34.16 | 25.36 | 8.57 | 33.93 | 25.36 | 8.18 | 33.54 |
| Other Inflationary Pressures | 8.81 | (0.80) | 8.01 | 9.03 | (3.99) | 5.05 | 8.85 | (3.99) | 4.86 | 8.85 | (2.56) | 6.29 | 8.85 | 2.51 | 11.36 |
| Programme Expenditure | 173.08 | 6.82 | 179.90 | 170.06 | 33.52 | 203.58 | 172.17 | 27.54 | 199.71 | 172.17 | 27.99 | 200.16 | 172.17 | 32.48 | 204.65 |
| Capital Asset Management | 10.67 | | 10.67 | 16.69 | (8.03) | 8.66 | 20.01 | (7.33) | 12.68 | 20.01 | (4.87) | 15.14 | 20.01 | (4.49) | 15.52 |
| Levies & Contributions | 0.65 | (0.56) | 0.09 | 0.65 | (0.56) | 0.09 | 0.65 | (0.56) | 0.09 | 0.65 | (0.56) | 0.09 | 0.65 | (0.56) | 0.09 |
| Other Expenditure & Income & Centrally Held Allocations | 6.83 | (0.91) | 5.92 | 6.61 | (0.99) | 5.62 | 7.56 | (2.87) | 4.69 | 7.56 | (2.73) | 4.83 | 7.56 | (2.73) | 4.83 |
| Transfer to/from Reserves | (0.41) | (5.16) | (5.56) | 2.13 | (46.23) | (44.09) | 1.20 | (6.00) | (4.80) | 1.20 | (1.20) | 0.00 | 1.20 | (1.20) | 0.00 |
| Net Revenue Expenditure | 190.82 | 0.20 | 191.02 | 196.14 | (22.29) | 173.85 | 201.58 | 10.79 | 212.36 | 201.58 | 18.64 | 220.22 | 201.58 | 23.51 | 225.08 |
| Funding | | | | | | | | | | | | | | | |
| Contribution to/from General Fund Balances | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Council Tax (including Adult Social Care Precept) | (102.53) | | (102.53) | (104.90) | (0.98) | (105.88) | (107.18) | (0.81) | (107.99) | (107.18) | (3.19) | (110.37) | (107.18) | (6.18) | (113.36) |
| Collection Fund Surplus/Deficit - Council Tax | 0.25 | | 0.25 | 0 | 2.20 | 2.20 | 0.00 | 0.22 | 0.22 | 0.00 | 0.22 | 0.22 | 0.00 | 0.00 | 0.00 |
| Business Rates | (51.86) | | (51.86) | (53.92) | 5.09 | (48.83) | (54.98) | 4.26 | (50.72) | (54.98) | 2.83 | (52.15) | (54.98) | 1.48 | (53.50) |
| Collection Fund Surplus/Deficit - Business Rates | (0.94) | | (0.94) | 0.00 | 25.59 | 25.59 | | 0.98 | 0.98 | | 0.98 | 0.98 | | 0.00 | 0.00 |
| Business Rates Retention Pool Growth Funding | (1.77) | | (1.77) | (3.32) | 0.00 | (3.32) | | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 |
| Revenue Support Grant | (10.96) | | (10.96) | (10.96) | (0.06) | (11.02) | (10.96) | (0.06) | (11.02) | (10.96) | (0.06) | (11.02) | (10.96) | (0.06) | (11.02) |
| Top Up Grant/Tariff Payment | (4.63) | | (4.63) | (4.63) | 0.00 | (4.63) | (4.63) | 0.00 | (4.63) | (4.63) | 0.00 | (4.63) | (4.63) | 0.00 | (4.63) |
| New Homes Bonus | (4.10) | | (4.10) | (1.47) | (0.04) | (1.51) | (0.68) | 0.00 | (0.68) | (0.68) | 0.68 | 0.00 | (0.68) | 0.68 | 0.00 |
| S31 Business Rates Grants | (5.83) | | (5.83) | (4.85) | (0.50) | (5.35) | (4.89) | (0.80) | (5.69) | (4.89) | (0.87) | (5.76) | (4.89) | (1.04) | (5.93) |
| Other Non-Specific Government Grants | (8.45) | (0.20) | (8.65) | (8.22) | (12.88) | (21.10) | (8.02) | (2.28) | (10.31) | (8.02) | (2.15) | (10.17) | (8.02) | (2.04) | (10.06) |
| Total Funding | (190.82) | (0.20) | (191.02) | (192.27) | 18.42 | (173.85) | (191.35) | 1.51 | (189.84) | (191.35) | (1.56) | (192.91) | (191.35) | (7.16) | (198.51) |
| Savings Requirement | (0.00) | (0.00) | (0.00) | 3.87 | (3.87) | 0.00 | 10.22 | 12.30 | 22.52 | 10.22 | 17.08 | 27.31 | 10.22 | 16.35 | 26.57 |

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Appendix 4

General Fund Earmarked Reserves (excluding Schools Balances)

| | Forecast Balance As At 31/03/2021 | Forecast Balance As At 31/03/2022 | Forecast Balance As At 31/03/2023 | Forecast Balance As At 31/03/2024 | Forecast Balance As At 31/03/2025 | Uncommite d Corporate Reserves As At 31/03/2025 |
|---------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------------------|
| | £M | £M | £M | £M | £M | £M |
| Medium Term Financial Risk Reserve* | 48.65 | 33.01 | 28.21 | 28.21 | 28.21 | 28.21 |
| Organisational Design Reserve * | | | | | | |
| Digital Strategy Reserve * | 2.23 | | | | | |
| Revenue Contributions to Capital (Reward Grant) * | | | | | | |
| Social Care Demand Risk Reserve | 11.58 | 7.39 | 7.39 | 7.39 | 7.39 | 7.39 |
| Revenue Grants Reserve | 28.17 | | | | | |
| PFI Sinking Fund | 4.48 | 4.36 | 4.16 | 3.77 | 3.77 | |
| Insurance Reserve | 2.65 | 2.65 | 2.65 | 2.65 | 2.65 | |
| Other Reserves | 4.01 | 4.57 | 4.58 | 4.70 | 4.70 | |
| Sub-Total | 101.78 | 51.98 | 46.99 | 46.72 | 46.72 | 35.60 |
| DSG Reserve (deficit) | (9.35) | (9.35) | (9.35) | (9.35) | (9.35) | |
| Total | 92.43 | 42.63 | 37.64 | 37.37 | 37.37 | 35.60 |

* These 4 reserves will be included within the MTFRR from 1 April 2021

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Appendix 5

| <u>HOUSING REVENUE ACCOUNT</u> | 2020/21 Budget £M | 2021/22 Budget £M | 2022/23 Budget £M | 2023/24 Budget £M | 2024/25 Budget £M |
|----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Responsive repairs | 13.26 | 12.15 | 12.12 | 12.13 | 12.19 |
| Cyclical maintenance | 5.19 | 5.37 | 5.52 | 5.70 | 5.89 |
| Rents payable | 0.10 | 0.10 | 0.10 | 0.11 | 0.11 |
| Debt management | 0.09 | 0.09 | 0.21 | 0.25 | 0.29 |
| Supervision & management | 22.52 | 24.54 | 24.96 | 24.74 | 25.33 |
| Interest & principal repayments | 5.09 | 8.83 | 7.56 | 8.36 | 9.17 |
| Depreciation | 20.47 | 20.92 | 21.54 | 22.12 | 22.71 |
| Direct revenue financing of capital | 8.89 | 3.88 | 6.05 | 6.70 | 8.23 |
| Total Expenditure | 75.60 | 75.87 | 78.06 | 80.11 | 83.91 |
| | | | | | |
| Dwelling rents | 70.24 | 71.38 | 73.46 | 75.39 | 79.05 |
| Other rents | 1.22 | 1.20 | 1.22 | 1.25 | 1.28 |
| Service charge income | 3.26 | 2.34 | 2.38 | 2.43 | 2.48 |
| Leaseholder service charges | 0.88 | 0.95 | 0.99 | 1.03 | 1.10 |
| Interest received | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Total Income | 75.60 | 75.87 | 78.06 | 80.11 | 83.91 |
| | | | | | |
| Savings Requirement | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Surplus) /Deficit for the Year | (0.00) | (0.00) | 0.00 | 0.00 | 0.00 |

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CIPFA financial management standards

Section 1: The responsibilities of the chief finance officer and leadership team

- A** The leadership team is able to demonstrate that the services provided by the authority provide value for money.
- B** The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government*.

Section 2: Governance and financial management style

- C** The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- D** The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
- E** The financial management style of the authority supports financial sustainability.

Section 3: Long to medium-term financial management

- F** The authority has carried out a credible and transparent financial resilience assessment.
- G** The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- H** The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- I** The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

Section 4: The annual budget

- J** The authority complies with its statutory obligations in respect of the budget setting process.
- K** The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

Section 5: Stakeholder engagement and business plans

- L** The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
- M** The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Section 6: Monitoring financial performance

- N** The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- O** The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

Section 7: External financial reporting

- P** The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- Q** The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

**SOUTHAMPTON CITY COUNCIL
COUNCIL TAX CALCULATION 2021/22**

| | 2020/21 £M | 2021/22 £M | Change £M | % |
|-----------------------------------------------------|-----------------|-----------------|----------------|---------------|
| Budget Requirement (a) | 190.82 | 173.85 | (16.97) | -8.89% |
| Less Non Domestic Rating Income | (53.63) | (52.15) | | |
| Less Business Rates S31 Grants | (5.83) | (5.35) | | |
| Less Top Up Payment/Plus Tariff | (4.63) | (4.63) | | |
| Less Revenue Support Grant | (10.96) | (11.02) | | |
| Other Central Grant Funding | (12.55) | (22.61) | | |
| Aggregate External Finance | (87.60) | (95.76) | (8.16) | 9.32% |
| Deficit/(Surplus) on Council Tax Collection Fund | 0.25 | 2.20 | | |
| Deficit/(Surplus) on Business Rates Collection Fund | (0.94) | 25.59 | | |
| Net General Grant Income & Business Rates (b) | (88.29) | (67.97) | 20.32 | -23.01% |
| Amount to be met from Council Tax (a - b) | 102.53 | 105.88 | 3.35 | 3.26% |
| Tax base | 65,468.0 | 64,389.0 | (1,079.0) | -1.65% |
| Basic amount of Council Tax (Band D) | 1,566.18 | 1,644.39 | 78.21 | 4.99% |
| Last years Council Tax | | 1,566.18 | | |
| Council Tax - General Increase | 1.99% | 31.23 | | |
| Council Tax - Social Care Precept | 3.00% | 46.98 | | |
| Total Annual Cash Increase | | 78.21 | | |
| Increase (Cash per Week for band D) | | 1.50 | | |
| Total Increase (%) | | 4.99% | | |

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COLLECTION FUND ESTIMATES 2021/22

| | 2020/21 £000 | 2021/22 £000 | Change £000 | Change % |
|------------------------------------------------|-----------------|------------------|----------------|--------------|
| Southampton City Council Precept | 102,534.7 | 105,880.6 | 3,346.0 | 3.26% |
| Hampshire Police Precept | 13,843.9 | 14,581.5 | 737.7 | 5.33% |
| Fire and Rescue Services Precept | 4,521.2 | 4,534.9 | 13.7 | 0.30% |
| Income due from Council Tax Payers | 120,899.8 | 124,997.1 | 4,097.3 | 3.39% |
| Tax Base for Area | 65,468.0 | 64,389.0 | (1,079.0) | -1.65% |
| Basic Amount of Tax for Band D Property | 1,846.70 | 1,941.28 | 94.58 | 5.12% |

SCC Council Tax increase per Property Band 2021/22

| Band | SCC Band Charge | Council Tax Increase | SCC Band Charge | Police Band Charge | Fire & Rescue Band Charge | Total |
|------|-----------------|----------------------|-----------------|--------------------|---------------------------|-----------|
| | 2020/21 | 4.99% | 2021/22 | 2021/22 | 2021/22 | 2021/22 |
| A | £1,044.12 | 52.14 | £1,096.26 | £150.97 | £46.95 | £1,294.18 |
| B | £1,218.14 | 60.83 | £1,278.97 | £176.14 | £54.78 | £1,509.89 |
| C | £1,392.16 | 69.52 | £1,461.68 | £201.30 | £62.60 | £1,725.58 |
| D | £1,566.18 | 78.21 | £1,644.39 | £226.46 | £70.43 | £1,941.28 |
| E | £1,914.22 | 95.59 | £2,009.81 | £276.78 | £86.08 | £2,372.67 |
| F | £2,262.26 | 112.97 | £2,375.23 | £327.11 | £101.73 | £2,804.07 |
| G | £2,610.30 | 130.35 | £2,740.65 | £377.43 | £117.38 | £3,235.46 |
| H | £3,132.36 | 156.42 | £3,288.78 | £452.92 | £140.86 | £3,882.56 |

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Government Grants

| | 2020/21 Revised Estimate £M | 2021/22 Estimate £M |
|---------------------------------------------------|--------------------------------------|---------------------------|
| General Government Grants | | |
| Revenue Support Grant | 10.96 | 11.02 |
| Business Rates Retention Top-up | 4.63 | 4.63 |
| S31 Business Rates Grants | 30.54 | 5.35 |
| New Homes Bonus | 4.10 | 1.51 |
| Social Care Grant | 6.70 | 8.45 |
| COVID-19 Local Authority Support Grant | 15.53 | 7.82 |
| COVID-19 Fees & Charges Compensation | 2.97 | |
| COVID-19 Local Council Tax Support Grant | | 2.82 |
| Other grants less than £1M | 2.82 | 1.69 |
| | 78.24 | 43.29 |
| Service Specific Government Grants | | |
| Dedicated Schools Grant | 135.71 | 146.57 |
| Housing Benefit Grant | 67.77 | 67.77 |
| Public Health Grant | 17.17 | 17.17 |
| Additional and Improved Better Care Fund | 10.39 | 10.39 |
| Pupil Premium | 9.14 | 9.14 |
| Private Finance Initiative (PFI) | 5.86 | 5.86 |
| Teachers Pay and Pension Grants* | 5.05 | |
| Universal Infants Free School Meals | 1.54 | 1.54 |
| Homelessness Prevention Grant | | 1.29 |
| COVID-19 grants to support businesses | 75.77 | |
| COVID-19 Adult Social Care Infection Control Fund | 4.21 | |
| COVID-19 Contain Outbreak Management Fund | 2.60 | |
| COVID-19 Council Tax Hardship Fund | 2.58 | |
| COVID-19 Test & Trace Service Support Grant | 1.57 | |
| COVID-19 Active Travel Fund | 1.23 | |
| Other grants less than £1M | 12.15 | 6.46 |
| | 352.75 | 266.19 |
| Total Government Grants | 430.99 | 309.48 |

* Included within Dedicated Schools Grant from 2021/22

A full list of government COVID-19 grants received is included in the the Financial Monitoring to the end of December 2020 report

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COVID-19 Pressures

| Description of Pressure | Portfolio | 2021/22 £000 |
|--------------------------------------------------------------------------------------------|-----------------------------|-----------------|
| Additional Costs | | |
| Home to school transport | Children & Learning | 1,591 |
| Home to School Transport equipment | Children & Learning | 4 |
| Increase in placement costs for children in care | Children & Learning | 1,844 |
| Temporary staff employed to deal with pandemic issues | Children & Learning | 548 |
| Libraries costs to remain open Covid Secure | Culture & Homes | 50 |
| Additional Emergency Planning resource | Customer & Orgainsation | 15 |
| Personal, Protective Equipment and other election costs | Customer & Orgainsation | 50 |
| Contract Liability - Leisure Contracts | Finance & Income Generation | 60 |
| Corporate Personal Protective Equipment | Finance & Income Generation | 100 |
| City services - citywide deep cleansing to support public health | Green City & Place | 175 |
| Public conveniences additional cleansing | Green City & Place | 60 |
| Waste collection - Additional Personal Protective Equipment costs | Green City & Place | 40 |
| Waste Disposal - net impact on disposal costs | Green City & Place | 110 |
| Adult Social Care - demographic pressures | Health & Adults | 5,656 |
| Registration Office additional running costs | Stronger Communities | 60 |
| Additional support for domestic abuse cases | Stronger Communities | 79 |
| Total Additional Costs | | 10,441 |
| Loss of Income | | |
| Early Years Training - loss of fee income | Children & Learning | 2 |
| Music Service - loss of income from cancelled lessons | Children & Learning | 30 |
| Educational Psychologists training fees | Children & Learning | 35 |
| Libraries room hire, DVD rentals, fines etc. | Culture & Homes | 60 |
| Homes of Multiple Occupancy License processing | Culture & Homes | 95 |
| Loss of venues income | Culture & Homes | 239 |
| Investment Property target income | Finance & Income Generation | 750 |
| Property Investment Fund - review | Finance & Income Generation | 9,970 |
| Contract Liability - St Marys Sports Hall - loss of usage income | Finance & Income Generation | 16 |
| Car park off street income | Green City & Place | 560 |
| Car park off street Penalty Charge Notices | Green City & Place | 25 |
| Car park season tickets - off street | Green City & Place | 60 |
| Itchen toll bridge - tolls | Green City & Place | 450 |
| External income loss due to redeployment of City Services resourcing to Deep City Cleaning | Green City & Place | 65 |
| Reduced Trade Waste Collection from closed businesses | Green City & Place | 150 |
| Registration ceremonies | Stronger Communities | 150 |
| Property Investment Fund - review - capital financing costs | Non-Portfolio | (7,220) |
| Total Loss of Income | | 5,437 |

| Description of Pressure | Portfolio | 2021/22 £000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|
| Unachievable Savings | | |
| Increase rental income by sale & reinvesting in properties returning a higher return | Finance & Income Generation | 100 |
| Cost recovery & charging policy | Finance & Income Generation | 60 |
| Improved collection of council tax | Finance & Income Generation | 321 |
| Reducing the level of bad debt & cost recovery | Finance & Income Generation | 250 |
| Review of Transport services and functions | Green City & Place | 250 |
| Increase capacity of Shared Lives provision - general population (non students) | Health & Adults | 100 |
| Reviewing homecare care provision to framework | Health & Adults | 50 |
| Application of strengths-based approaches when addressing review backlog across all care types | Health & Adults | 450 |
| Bringing our activity in line with the highest performing authorities for the provision of small homecare packages | Health & Adults | 740 |
| Clients being offered reablement | Health & Adults | 1,179 |
| Direct payments - improved controls to ensure meeting care needs/personal budget brokerage/increase use of PAs (based on audit findings and peer challenge) | Health & Adults | 220 |
| Extra care housing reducing use of residential care for older people | Health & Adults | 217 |
| More effective demand management (pre-front door and front door) | Health & Adults | 150 |
| Occupational Therapy reviews | Health & Adults | 80 |
| 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. | Health & Adults | 34 |
| Total Unachievable Savings | | 4,201 |
| TOTAL COVID-19 PRESSURES | | 20,078 |

Other Pressures

| Description of Pressure | Portfolio | 2021/22 £000 |
|-----------------------------------------------------------------|-----------------------------|-----------------|
| Additional Costs | | |
| Looked After Children placement costs | Children & Learning | 4,168 |
| Children's - Agency costs | Children & Learning | 2,135 |
| Safer Families for Children increased costs | Children & Learning | 120 |
| Temporary classrooms | Children & Learning | 440 |
| City of Culture extra investment | Culture & Homes | 960 |
| Private Sector Housing - Condition Survey | Culture & Homes | 120 |
| Public building review | Culture & Homes | 70 |
| IT investment | Customer & Organisation | 1,420 |
| Apprenticeship Levy | Customer & Organisation | 100 |
| Street Lighting - project management resources | Finance & Income Generation | 60 |
| Transforming Cities fund - revenue contribution | Green City & Place | 400 |
| Waste volumes due to City growth | Green City & Place | 200 |
| Golf Course net operating costs | Green City & Place | 492 |
| Adult Social Care - additional staffing | Health & Adults | 1,750 |
| Adult Social Care - equipment | Health & Adults | 300 |
| Childhood Obesity Strategy | Health & Adults | 41 |
| Public Health Act funerals | Stronger Communities | 50 |
| Stronger Communities Future Service Design | Stronger Communities | 200 |
| IT investment - capital financing costs | Non-Portfolio | 64 |
| Capital programme - capital financing costs | Non-Portfolio | 100 |
| Total Additional Costs | | 13,190 |
| Loss of Income | | |
| Reduction in recharges to the Dedicated Schools Grant | Children & Learning | 60 |
| Libraries income shortfall | Culture & Homes | 50 |
| One Guildhall Square under occupancy costs | Finance & Income Generation | 1,500 |
| Park & Ride loss of car park income | Green City & Place | 10 |
| Reduction in waste recyclables income | Green City & Place | 300 |
| Late night levy withdrawal | Stronger Communities | |
| Total Loss of Income | | 1,920 |
| Unachievable Savings | | |
| Specialist Support Services savings | Children & Learning | 470 |
| Early Help - unachievable year-on-year increase in savings | Children & Learning | 416 |
| Workforce Development - income and savings targets | Children & Learning | 444 |
| IT savings | Customer & Organisation | 200 |
| Customer Payments & Debt income shortfall | Finance & Income Generation | 92 |
| Total Unachievable Savings | | 1,622 |
| TOTAL OTHER PRESSURES | | 16,732 |
| TOTAL BUDGET PRESSURES | | 36,811 |
| Less: | | |
| Use of Social Care Demand Reserve to meet Social Care pressures | | (12,856) |
| Use of Digital Strategy Reserve to fund IT investment | | (1,170) |
| TOTAL NET BUDGET PRESSURES | | 22,785 |

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Savings Proposals

| Saving Proposal | Description | Portfolio | 2021/22 £000 | 2022/23 £000 |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|-----------------|
| Income Generation | | | | |
| Libraries income review | General review of fees and charges and maximising the benefit of the space. | Culture & Homes | 6 | 6 |
| City lottery proposal | Exploring a city lottery and crowdfunding options to democratise and maximising the impact of charitable giving and creating additional revenue for good causes. Lotteries are run in over 80 local authorities nationally, generating in excess of £5m of additional revenue for local good causes. | Finance & Income Generation | 23 | 40 |
| Procure digital system to carry out financial assessments for adult social care | Reducing any delays so all assessments can be carried out within 8 weeks. | Finance & Income Generation | 88 | 81 |
| Review pricing strategy | Review the pricing model the authority applies and implement an approach that will generate income above inflation levels where opportunity exists to raise charges | Finance & Income Generation | 250 | 250 |
| Review of Telecare Rental Charges | Review of income through increased Telecare rental charges to reflect the overall service offer. | Health & Adults | 34 | 34 |
| Review of overheads chargeable to Licensing Services | Look at overheads incurred and costs recovered in areas for licensing (including Premises, Taxis and Gambling) | Stronger Communities | 30 | 30 |
| Registration – potential opportunity to expand venues and attract more custom | Potential to increase number of bookings at licensed wedding venues. | Stronger Communities | 68 | |
| Unallocated receipts over 2 years old | Suspense account items over 2 years old that cannot be identified to be written out of suspense and credited centrally to revenue. | Non-Portfolio | 30 | 30 |
| Debt saving to the General Fund by transferring land to the HRA as part of 1,000 homes | Parcels of land currently owned by the General Fund will transfer over to the HRA to assist with delivery of the 1,000 new homes programme. | Non-Portfolio | 107 | 107 |
| Total Income Generation | | | 635 | 578 |

| Saving Proposal | Description | Portfolio | 2021/22 £000 | 2022/23 £000 |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|-----------------|
| Efficiency & Service Improvement | | | | |
| Temp staff/agency workers etc savings | Review arrangements to recruit and reduce the duration of employment of temp staff. | All Portfolios | 1,000 | 1,000 |
| Staff travel, office consumables, postage etc savings | IT solutions reducing the need for physical meetings and postage | All Portfolios | 400 | 400 |
| Increase Disabled Facility Grant (DFG) contribution to revenue provision of service | Proposal to increase the contribution charged to the capital programme to cover staff | Culture & Homes | 80 | 80 |
| Extending vacancy savings within CCH directorate | Review vacancies and hold them unfilled during 2021/22 | Culture & Homes | 38 | |
| Review of allowances | Reviewing payments (e.g. First Aid and Fire Marshall) being made that may not apply in current COVID and post COVID working arrangements | Customer & Organisation | 5 | 5 |
| Reconfigure contact centre management | Review contact centre management arrangements | Customer & Organisation | 23 | 23 |
| Efficiencies in Customer and Communications | Utilisation of current budget efficiencies to deliver the savings. No impact on current staffing levels. Efficiencies in the Gateway and Digital Media team. | Customer & Organisation | 151 | 151 |
| Business Support | Review of effectiveness and efficiency of Business Support arrangements across all teams. | Customer & Organisation | 250 | 250 |
| Finalise access to online payslips for all staff | Revised arrangements to access payslips once printing contract with Capita expires | Customer & Organisation | 18 | 18 |
| Reduce planned recruitment in Policy, Projects and Performance | Reduce planned recruitment to data team | Customer & Organisation | 100 | 50 |
| Temp staff - cabinet report master vendor | New contract for the supply of temporary agency staff for a three years. Savings in the main are due to reduced agency and Master Vendor fees. Additional savings should be made from minimising off-contract spend too. | Customer & Organisation | 200 | 250 |
| Enhancement of Salary Sacrifice Scheme | Implementation of Salary Sacrifice Scheme for all employees enabling the acquisition of electric or hybrid vehicles, helping green city commitments. | Finance & Income Generation | 31 | 42 |
| Greater use of purchase cards | The proposal is to introduce use of a cash back card to pay specific organisations that supply the council with goods and services. | Finance & Income Generation | 115 | 115 |
| Refinancing of PFI Street Lighting Contract | Refinancing of PFI Street Lighting Contract | Finance & Income Generation | 500 | |
| Renegotiate payment terms with suppliers | Deliver savings to the council by negotiating discounts with suppliers for early payment. | Finance & Income Generation | 25 | 25 |
| Finance and Commercialisation Directorate – cost reduction | To be managed through a review of vacant posts, selective recruitment and supplies budgets | Finance & Income Generation | 500 | 500 |
| Procurement and contract management savings | Review third party contracts and identify and implement savings options which should have minor or no impact on service delivery, performance standards, outputs and outcomes. | Finance & Income Generation | 500 | 500 |
| Review Housing Revenue Account (HRA) staff time allocations | Allocation of staff to be funded from HRA | Finance & Income Generation | 200 | 200 |
| Review of allocations to/from reserves for Car Parks & Itchen Bridge & On street car parks | Draw down from dedicated funds to maintain Itchen Bridge and offset losses arising from COVID. | Green City & Place | 780 | |
| Rephasing the TCF project | Rephasing of the TCF programme, including the proposals for Albion St, Castle Way and Civic car parks | Green City & Place | 600 | |
| Reduce the concessionary fares subsidy to reflect lower usage | Engage with bus operators to agree a reduction in the concessionary fares subsidy to reflect lower journey numbers while minimising the impact on route availability and taking the Government guidance issued in January 2021 into consideration. This needs to strike a balance so we can ensure the essential bus network provides sufficient coverage. | Green City & Place | 1,000 | |
| Clean Growth Fund | Installing energy efficiency equipment and renewable energy measures in council buildings | Green City & Place | 21 | 18 |
| Improved use of appropriate lifting equipment to help reduce double handed care (two staff) | A review of the double handed component will be required alongside evidence that the appropriate lifting equipment can be installed within the property to improve people's independence through the use of equipment. | Health & Adults | 68 | 240 |
| Maximising independence for people with Learning Disabilities | Reviewing high need placements to ensure the most effective services are in place to achieve the best outcomes for individuals including the review of appropriate health funded care. | Health & Adults | 252 | 470 |
| Citywide cleaning due to COVID-19 | To recoup the costs of deep, additional cleaning via Public Health. | Health & Adults | 180 | 180 |
| Extending vacancy savings within CCH directorate | Review vacancies and hold them unfilled during 2021/22 | Stronger Communities | 86 | |
| Exploring Community funding with alternative model | Investigate the possibility of introducing a crowd funding scheme or use of proceeds from a local lottery to fund future grant awards. | Stronger Communities | 50 | 50 |
| Review of Capital 20/21 programme, revenue implications | Impact of decisions to review items of capital investment | Non-Portfolio | 400 | |
| Review of Capital 21/22 programme, revenue implications | Impact of decisions to review items of capital investment | Non-Portfolio | 467 | |
| General inflationary allowance | Reduced estimate for inflation in budget. | Non-Portfolio | 500 | 500 |
| National pay award assumptions - budget at around level of inflation | Budget assumption only - will have no impact on actual pay award implemented as agreed at national level. | Non-Portfolio | 1,500 | 1,500 |
| Total Efficiency & Service Improvement | | | 10,040 | 6,567 |
| TOTAL SAVINGS | | | 10,675 | 7,145 |

Movements in 2021/22 Budget Shortfall - December 2020 Cabinet Report to February 2021

| Movements | £M | Comment |
|--------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------|
| Budget shortfall from December Cabinet report | 3.97 | |
| Changes to Budget Pressures: | | |
| COVID-19 Pressures | | |
| Changes to costs | | |
| Adult Social Care - lower expected numbers and further CCG funding | (6.34) | Revised estimate |
| All other | 0.12 | |
| Loss of Income | | |
| Mainly revision to venue income | 0.19 | |
| Unachievable Savings | | |
| Bad debts | 0.29 | Adjustment to previous assumption |
| Other Pressures | | |
| Changes to costs | | |
| Golf Course net operating costs | 0.49 | As reported to Cabinet 9 February 2021 |
| Temporary classrooms | 0.44 | Re: expected schools reconfiguration costs |
| IT investment additional sum | 0.32 | |
| All other | 0.58 | |
| Loss of Income | | |
| Reduction in waste recyclables income | 0.30 | |
| All other | 0.06 | |
| Unachievable Savings | (0.01) | |
| Total Changes to Budget Pressures | (3.56) | |
| New Savings | (0.42) | Primarily reduced staff travel and office costs from revised working arrangements |
| Change in Use of Reserves | 0.53 | |
| Change in Centrally Held Budgets | (0.67) | Use of contingency and corporate budgets |
| Change in Grants | (0.94) | Additional grant, mainly extra above budget assumptions for the finance settlement (£0.76M) |
| Revised Collection Fund estimate | 2.10 | Mainly lower estimate for business rates yield in 2021/22 |
| Funding Changes | | |
| Additional 1% Adult Social Care precept | (1.01) | |
| Revised budget shortfall | 0.00 | |

Numbers are rounded

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| THE CAPITAL STRATEGY & GENERAL FUND PROGRAMME 2020/21 TO 2025/26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| INTRODUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. | The purpose of this report is to update the Capital Strategy and to inform Council of any major changes in the overall General Fund (GF) Capital Programme for the period of 2020/21 to 2025/26, highlighting the changes in the programme since the last reported position to Cabinet in February 2021. The net result of the changes since the previous report is a decrease to the General Fund programme of £195.27M. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | The additional investment, detailed within this report, has been limited to high priority, fully-funded or health and safety related schemes due to a future period of uncertainty as a result of the COVID-19 pandemic. Borrowing to fund this additional investment has been restricted where possible. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | The capital programme and potential further investment will be reviewed in July 2021 as part of the intended in-year budget update. Previously the capital programme has been set to include proposals to reflect the anticipated needs of the Council over the next 5-year period. Service managers should therefore still have the ability to respond to changing demands in their services within their approved budgets. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| THE FORWARD CAPITAL PROGRAMME | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | Table 1 shows a comparison of the latest capital expenditure for the period 2020/21 to 2025/26 compared to the previously reported programme. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="8" style="text-align: left; padding: 5px;"><u>Table 1 – Programme Comparison</u></th> </tr> <tr> <th style="text-align: left; padding: 5px;">Reported Programme</th> <th style="text-align: center; padding: 5px;">2020/21 £M</th> <th style="text-align: center; padding: 5px;">2021/22 £M</th> <th style="text-align: center; padding: 5px;">2022/23 £M</th> <th style="text-align: center; padding: 5px;">2023/24 £M</th> <th style="text-align: center; padding: 5px;">2024/25 £M</th> <th style="text-align: center; padding: 5px;">2025/26 £M</th> <th style="text-align: center; padding: 5px;">Total £M</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Latest</td> <td style="text-align: center; padding: 5px;">83.53</td> <td style="text-align: center; padding: 5px;">117.46</td> <td style="text-align: center; padding: 5px;">198.88</td> <td style="text-align: center; padding: 5px;">44.83</td> <td style="text-align: center; padding: 5px;">17.92</td> <td style="text-align: center; padding: 5px;">3.82</td> <td style="text-align: center; padding: 5px;">466.43</td> </tr> <tr> <td style="padding: 5px;">Previous</td> <td style="text-align: center; padding: 5px;">133.86</td> <td style="text-align: center; padding: 5px;">259.83</td> <td style="text-align: center; padding: 5px;">201.44</td> <td style="text-align: center; padding: 5px;">44.83</td> <td style="text-align: center; padding: 5px;">21.74</td> <td style="text-align: center; padding: 5px;">0.00</td> <td style="text-align: center; padding: 5px;">661.70</td> </tr> <tr> <td style="padding: 5px;">Variance</td> <td style="text-align: center; padding: 5px;">(50.33)</td> <td style="text-align: center; padding: 5px;">(142.37)</td> <td style="text-align: center; padding: 5px;">(2.56)</td> <td style="text-align: center; padding: 5px;">0.00</td> <td style="text-align: center; padding: 5px;">(3.83)</td> <td style="text-align: center; padding: 5px;">3.82</td> <td style="text-align: center; padding: 5px;">(195.27)</td> </tr> </tbody> </table> <p style="text-align: right; padding: 5px;"><i>NB: Table include rounded figures</i></p> | | | | | | | | <u>Table 1 – Programme Comparison</u> | | | | | | | | Reported Programme | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | Latest | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.82 | 466.43 | Previous | 133.86 | 259.83 | 201.44 | 44.83 | 21.74 | 0.00 | 661.70 | Variance | (50.33) | (142.37) | (2.56) | 0.00 | (3.83) | 3.82 | (195.27) |
| <u>Table 1 – Programme Comparison</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reported Programme | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Latest | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.82 | 466.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Previous | 133.86 | 259.83 | 201.44 | 44.83 | 21.74 | 0.00 | 661.70 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variance | (50.33) | (142.37) | (2.56) | 0.00 | (3.83) | 3.82 | (195.27) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | Table 2 below details the General Fund Capital Programme by portfolio and shows the decrease of £195.27M to a total of £466.43M. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | Paragraphs 14-24 and annex 2.1 summarise the new schemes and changes to existing schemes by individual portfolio programmes. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| CHANGES TO THE PROGRAMME | | | |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------|
| 7. | <u>Table 2 – Changes in Portfolio Programmes</u> | | |
| | | Latest Programme £M | Previous Programme £M |
| | | | Total Net Change £M |
| | Children & Learning | 109.16 | 107.16 |
| | Culture & Homes | 20.36 | 19.96 |
| | Customer & Organisation | 21.38 | 20.30 |
| | Finance & Income Generation | 1.27 | 201.27 |
| | Green City & Place | 305.08 | 303.14 |
| | Health & Adults | 0.62 | 0.62 |
| | Stronger Communities | 8.57 | 9.25 |
| | Total GF Capital Programme | 466.43 | 661.70 (195.27) |
| | <i>NB: Table include rounded figures</i> | | |
| 8. | New additions total £6.52M and are offset by reductions to the programme of £201.79M. Details of the major projects are given in paragraphs 14-24. | | |
| 9. | Approval is sought for the addition and spend of £6.52M to the General Fund programme to be funded as set out in annex 2.1. | | |
| 10. | Approval is sought for the reduction of £201.79M to the General Fund capital programme, as set out in annex 2.1. The usable funding from these schemes will be used to finance the new additional projects. | | |
| 11. | Approval to spend is sought for £2.50M already added to the programme in February 20 for the Special Educational Needs and Disabilities review budget of £39.00M budget. Details of this spend are shown in paragraph 14. | | |
| 12. | Approval is sought to accept government grant funding of £1.68M from the Department of Business, Energy & Industrial Strategy under the Public Sector Decarbonisation Scheme awarded following a bid made by the Green City & Place portfolio. | | |
| 13. | As part of the appraisal process, all projects were assessed to ensure that they meet the objectives of the Council and align the 5 key programme areas. Table 3 summarises the items of major spend by programme. | | |

| Table 3 – Capital Spend by Programme | | | | | | | |
|---------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Programme | Major Project | 2020/ 2021 £M | 2021/ 2022 £M | 2022/ 2023 £M | 2023/ 2024 £M | 2024/ 2025 £M | 2025/ 2026 £M |
| Communities Culture & Homes | Community Safety | 1.40 | 4.76 | 0.00 | 0.00 | 0.00 | 0.00 |
| | City of Culture | 0.00 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Arts & Heritage | 0.18 | 1.52 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Estate Improvements | 0.09 | 1.26 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Sport & Recreation | 0.74 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Outdoor Leisure | 0.10 | 0.00 | 12.70 | 4.10 | 0.05 | 0.00 |
| | Other | 0.43 | 1.03 | 0.19 | 0.00 | 0.00 | 0.00 |
| Green City | Green City Charter | 0.08 | 4.41 | 5.97 | 4.08 | 4.00 | 3.83 |
| | Open Spaces | 1.34 | 1.06 | 0.25 | 0.00 | 0.00 | 0.00 |
| | Play Area Improvements | 0.52 | 0.41 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Parks Development Works | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Solar Powered Compactor Bins | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other | 0.68 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 |
| Place Shaping | Bridges Programme | 1.23 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Highways Programme | 11.29 | 7.11 | 7.80 | 7.80 | 7.80 | 0.00 |
| | Integrated Transport | 16.89 | 9.18 | 16.38 | 0.00 | 0.00 | 0.00 |
| | Fleet Investment | 7.02 | 2.36 | 2.00 | 2.00 | 2.00 | 0.00 |
| | Flood Risk Management | 0.97 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Connected Southampton | 13.04 | 29.40 | 45.84 | 22.00 | 1.50 | 0.00 |
| | Pavements Programme | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 |
| | Bitterne Community Hub | 0.18 | 0.00 | 30.00 | 0.00 | 0.00 | 0.00 |
| | Heart of the City | 0.34 | 1.41 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other | 0.46 | 0.59 | 0.00 | 0.00 | 0.00 | 0.00 |
| Successful, sustainable business | Digital & IT | 5.64 | 5.06 | 1.52 | 1.31 | 1.02 | 0.00 |
| | City Regeneration | 1.32 | 0.23 | 26.70 | 0.00 | 0.00 | 0.00 |
| | The Way we Work | 0.56 | 3.29 | 1.00 | 1.00 | 1.00 | 0.00 |
| | Other | 0.12 | 1.08 | 0.00 | 0.00 | 0.00 | 0.00 |
| Wellbeing | Early Years Expansion | 0.16 | 0.34 | 0.24 | 0.00 | 0.00 | 0.00 |
| | Primary Review & Expansion | 1.39 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| | School Capital Maintenance | 2.32 | 3.36 | 2.00 | 1.36 | 0.00 | 0.00 |

| | | | | | | | |
|--|------------------------------|--------------|---------------|---------------|--------------|--------------|-------------|
| | Secondary Review & Expansion | 12.39 | 30.97 | 8.09 | 0.56 | 0.00 | 0.00 |
| | Newlands Hearing Centre | 0.05 | 0.60 | 0.43 | 0.03 | 0.00 | 0.00 |
| | SEND Review & Expansion | 0.04 | 5.16 | 36.51 | 0.00 | 0.00 | 0.00 |
| | Residential/Assessment Units | 0.44 | 1.41 | 0.67 | 0.00 | 0.00 | 0.00 |
| | Adult & Health | 0.15 | 0.20 | 0.10 | 0.10 | 0.05 | 0.00 |
| | Other | 0.45 | 0.12 | 0.00 | 0.00 | 0.00 | 0.00 |
| | TOTAL | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 |

NB: Table includes rounded numbers

MAJOR PROGRAMME CHANGES

Children & Learning - £2.00M Increase

14. SEND Review (£2.00M addition)
 The Children's and Families Act 2014 introduced Education, Health and Care Plans, £39.00M was added to the programme budget in February 2020, to review and expand the Special Educational Needs and Disabilities (SEND) provision within the City. An additional £2.00M budget is required to meet the immediate and significant pressure in increased capacity demand as an interim arrangement until a full business case for this scheme is reported to Executive Management Team and Cabinet. This will be funded by capital receipts. Approval to spend £4.50M on these interim arrangements is also sought.

Culture & Homes - £0.40M Increase

15. Libraries Extended Opening Hours (£0.25M addition)
 The extension of library opening hours will be achieved by offering an unstaffed self-service option within the city's libraries this allows for better value in the use of the buildings. Control system will need to be installed such as CCTV, door mag locks, lighting, audio systems, intruder alarm systems, computers to open and close the building, which make the library functional without staff needing to be present. This will be funded by council resources and capital receipts.
16. Heritage Assets Repairs Programme (£0.20M addition)
 Pending the completion of the business case for repairs to the city's heritage assets, an initial year one budget has been added to the programme to ensure that the physical deterioration of assets doesn't impact on public safety, the reputation of the Council and the City of Culture bid. This will be funded by capital receipts.

Customer & Organisation - £1.08M increase

17. Client Case Management System (£1.06M addition)

| | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Further enhancements to improve usability and navigation are required to ensure the system is fit for purpose and achieve best value for the funds that have been spent to date on this scheme. These additions will allow a go-live date later in 2021. Additional detail of this scheme is provided in annex 2.1(a). This will be funded by direct revenue financing. |
| | <u>Finance & Income Generation - £200.00M decrease</u> |
| 18. | Property Investment Fund (£200.00M reduction) This scheme was intended to maximise the yield of council borrowing through the purchase of investment property using that funding. Recent updated guidance from the Public Works Loans Board (PWLB), the main lenders to local authorities, has made it no longer possible to borrow to invest for yield in the same way. |
| | <u>Green City & Place - £1.94M Increase</u> |
| 19. | Mayflower Park Revetments (£0.50M addition) Essential repairs to the revetments are needed to protect Mayflower park from damage from the waterways. This is a necessary health and safety requirement and protects against the inability to use the park for major events in future. This will be funded by a combination of S106 contributions, capital receipts and council resources. |
| 20. | Green Flag Park Improvements (£0.22M addition) Capital works will improve Green Flag parks within the city to enable bid a multi-park approach to the Green Flag award and support the City of Culture bid. This will be funded by S106 contributions. |
| 21. | COVID 19 Depot Improvements (£0.25M addition) Improvements to City Depot meeting rooms as well as additional external buildings are required to maintain adequate social distancing and remain COVID safe ensuring staff welfare. This will be funded by capital receipts. |
| 22. | Purchase of Vehicles (£0.50M reduction) In an effort to reduce the cost of borrowing, reviews have taken place throughout the year of capital schemes funded by borrowing. The purchase of vehicles scheme has now been streamlined to reduce these costs. |
| 23. | <u>Decarbonisation (£1.68M addition, Green City - Salix Clean Growth Fund reduction £0.31M)</u> This scheme is designed to fund energy efficiency and heat decarbonisation projects within non-domestic buildings and will be used on measures across the Council's non-domestic property portfolio to create cost and carbon savings. This addition will be funded by government grant. The bid for this grant under the Public Sector Decarbonisation Scheme provides an alternative source of funding for works originally planned under the Green City - Salix Clean Growth Fund scheme therefore reducing the need for Council borrowing. The reduction was to be funded by a combination of council resources and external contributions. |

| | <u>Stronger Communities - £0.68M Decrease</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------|-----------------------------------|------------------------------------------|----------------------------|------------------------------------------|------------------|--------|--------|-------|------|--------|-----|---------|--------|------|---------|--------|------|--------|--------|------|--------|--------|--|----------------|---------------|--------------|----------------|---------------|
| 24. | <p>Warm Homes (£0.68M reduction)</p> <p>The Warm Homes scheme is intended to reduce fuel poverty and emissions in private sector housing. Due to the COVID-19 pandemic, one of the Council's contractors has pulled out of the project, resulting in a subsequent loss of grant funding. This has reduced the scope of the project and the budget has been reduced accordingly. This reduction was to be funded by government grants and S106 contributions.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | CAPITAL RESOURCES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 25. | <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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 26. | Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Stronger Communities portfolio. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 27. | It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However, in 2020/21 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 28. | Table 4 shows the current level of available resources. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p><u>Table 4 – Available Capital Funding</u></p> <table border="1"> <thead> <tr> <th>Resource</th> <th>Balance B/Fwd. £M</th> <th>Received to Date 2020/21 £M</th> <th>Allocated to Current Programme £M</th> <th>Available Funding £M</th> <th>Anticipated Receipts 2020/21 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td>(9.31)</td> <td>(0.07)</td> <td>11.52</td> <td>2.14</td> <td>(1.99)</td> </tr> <tr> <td>CIL</td> <td>(15.60)</td> <td>(0.65)</td> <td>5.49</td> <td>(10.76)</td> <td>(0.78)</td> </tr> <tr> <td>S106</td> <td>(7.73)</td> <td>(2.69)</td> <td>8.11</td> <td>(2.31)</td> <td>(0.58)</td> </tr> <tr> <td></td> <td><u>(32.64)</u></td> <td><u>(3.41)</u></td> <td><u>25.12</u></td> <td><u>(10.93)</u></td> <td><u>(3.35)</u></td> </tr> </tbody> </table> | Resource | Balance B/Fwd. £M | Received to Date 2020/21 £M | Allocated to Current Programme £M | Available Funding £M | Anticipated Receipts 2020/21 £M | Capital Receipts | (9.31) | (0.07) | 11.52 | 2.14 | (1.99) | CIL | (15.60) | (0.65) | 5.49 | (10.76) | (0.78) | S106 | (7.73) | (2.69) | 8.11 | (2.31) | (0.58) | | <u>(32.64)</u> | <u>(3.41)</u> | <u>25.12</u> | <u>(10.93)</u> | <u>(3.35)</u> |
| Resource | Balance B/Fwd. £M | Received to Date 2020/21 £M | Allocated to Current Programme £M | Available Funding £M | Anticipated Receipts 2020/21 £M | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital Receipts | (9.31) | (0.07) | 11.52 | 2.14 | (1.99) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CIL | (15.60) | (0.65) | 5.49 | (10.76) | (0.78) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| S106 | (7.73) | (2.69) | 8.11 | (2.31) | (0.58) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>(32.64)</u> | <u>(3.41)</u> | <u>25.12</u> | <u>(10.93)</u> | <u>(3.35)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 29. | Table 4 shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. There are a number of potential large scale infrastructure projects in the future that could utilise this funding, for example flood defence infrastructure. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| 30. | Funding for the capital programme has previously been heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the economic climate and the response to COVID-19 has increased the Council's risk in this area. To reduce this risk properties that are not yet on the market have been removed from the assumptions of what is available to fund the programme and a small contingency is being held to alleviate pressures from any reductions to sales value. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|--------------|--------------|-------------|---------------|------------|----------|---------------------|-------|----------|-------|------|------|-------|-----------------|-----------------|-------------|-------------|-------------|------|------|------|-------|-------------------------|------|------|------|------|------|------|-------|-----------------------------|------|------|------|------|------|------|------|--------------------|-------|-------|--------|-------|-------|------|--------|-----------------|------|------|------|------|------|------|------|----------------------|------|------|------|------|------|------|------|--------------|--------------|---------------|---------------|--------------|--------------|-------------|---------------|--|------------|------------|------------|------------|------------|------------|----------|--------------------|---------|---------|----------|---------|---------|--------|----------|------------------|--------|--------|--------|------|------|------|---------|---------------|--------|--------|--------|--------|--------|--------|---------|----------------|---------|---------|---------|---------|--------|------|----------|
| 31. | Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been no movement since the last reported position. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 32. | <p>Table 5 – General Fund Capital Receipts Estimates</p> <table border="1" data-bbox="331 689 954 913"> <thead> <tr> <th>Forecast</th> <th>B/Fwd. £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>9.31</td> <td>2.06</td> <td>0.25</td> <td>11.62</td> </tr> <tr> <td>Previous</td> <td>9.31</td> <td>2.06</td> <td>0.25</td> <td>11.62</td> </tr> <tr> <td>Variance</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> </tr> </tbody> </table> <p data-bbox="975 831 1369 891">*No further receipts from 2022/23 to 2025/26</p> | Forecast | B/Fwd. £M | 2020/21 £M | 2021/22 £M | Total £M | Latest | 9.31 | 2.06 | 0.25 | 11.62 | Previous | 9.31 | 2.06 | 0.25 | 11.62 | Variance | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Forecast | B/Fwd. £M | 2020/21 £M | 2021/22 £M | Total £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Latest | 9.31 | 2.06 | 0.25 | 11.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Previous | 9.31 | 2.06 | 0.25 | 11.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variance | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| OVERALL CAPITAL PROGRAMME | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 33. | Tables 6 and 7 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2025/26. Annex 2.2 provides details of each portfolios latest programme and the financing of that programme. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Table 6 – Capital Expenditure by Programme</p> <table border="1" data-bbox="331 1216 1401 1697"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>17.24</td> <td>42.03</td> <td>47.94</td> <td>1.95</td> <td>0.00</td> <td>0.00</td> <td>109.16</td> </tr> <tr> <td>Culture & Homes</td> <td>1.03</td> <td>2.29</td> <td>12.89</td> <td>4.10</td> <td>0.05</td> <td>0.00</td> <td>20.36</td> </tr> <tr> <td>Customer & Organisation</td> <td>6.20</td> <td>8.34</td> <td>2.52</td> <td>2.31</td> <td>2.02</td> <td>0.00</td> <td>21.38</td> </tr> <tr> <td>Finance & Income Generation</td> <td>1.27</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>1.27</td> </tr> <tr> <td>Green City & Place</td> <td>55.76</td> <td>57.88</td> <td>135.44</td> <td>36.38</td> <td>15.80</td> <td>3.83</td> <td>305.08</td> </tr> <tr> <td>Health & Adults</td> <td>0.15</td> <td>0.22</td> <td>0.10</td> <td>0.10</td> <td>0.05</td> <td>0.00</td> <td>0.62</td> </tr> <tr> <td>Stronger Communities</td> <td>1.87</td> <td>6.70</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>8.57</td> </tr> <tr> <td>Total</td> <td>83.53</td> <td>117.46</td> <td>198.88</td> <td>44.83</td> <td>17.92</td> <td>3.83</td> <td>466.43</td> </tr> </tbody> </table> <p>Table 7 – Use of Resources</p> <table border="1" data-bbox="331 1765 1401 2018"> <thead> <tr> <th></th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>*CR - GF Borrowing</td> <td>(20.28)</td> <td>(35.78)</td> <td>(128.00)</td> <td>(16.97)</td> <td>(12.75)</td> <td>(1.91)</td> <td>(215.69)</td> </tr> <tr> <td>Capital Receipts</td> <td>(6.61)</td> <td>(3.37)</td> <td>(1.55)</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>(11.52)</td> </tr> <tr> <td>Contributions</td> <td>(9.06)</td> <td>(4.79)</td> <td>(8.95)</td> <td>(3.50)</td> <td>(2.50)</td> <td>(1.91)</td> <td>(30.70)</td> </tr> <tr> <td>Capital Grants</td> <td>(45.96)</td> <td>(72.06)</td> <td>(60.37)</td> <td>(24.36)</td> <td>(2.67)</td> <td>0.00</td> <td>(205.43)</td> </tr> </tbody> </table> | | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | Children & Learning | 17.24 | 42.03 | 47.94 | 1.95 | 0.00 | 0.00 | 109.16 | Culture & Homes | 1.03 | 2.29 | 12.89 | 4.10 | 0.05 | 0.00 | 20.36 | Customer & Organisation | 6.20 | 8.34 | 2.52 | 2.31 | 2.02 | 0.00 | 21.38 | Finance & Income Generation | 1.27 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.27 | Green City & Place | 55.76 | 57.88 | 135.44 | 36.38 | 15.80 | 3.83 | 305.08 | Health & Adults | 0.15 | 0.22 | 0.10 | 0.10 | 0.05 | 0.00 | 0.62 | Stronger Communities | 1.87 | 6.70 | 0.00 | 0.00 | 0.00 | 0.00 | 8.57 | Total | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 | 466.43 | | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | *CR - GF Borrowing | (20.28) | (35.78) | (128.00) | (16.97) | (12.75) | (1.91) | (215.69) | Capital Receipts | (6.61) | (3.37) | (1.55) | 0.00 | 0.00 | 0.00 | (11.52) | Contributions | (9.06) | (4.79) | (8.95) | (3.50) | (2.50) | (1.91) | (30.70) | Capital Grants | (45.96) | (72.06) | (60.37) | (24.36) | (2.67) | 0.00 | (205.43) |
| | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Children & Learning | 17.24 | 42.03 | 47.94 | 1.95 | 0.00 | 0.00 | 109.16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Culture & Homes | 1.03 | 2.29 | 12.89 | 4.10 | 0.05 | 0.00 | 20.36 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Customer & Organisation | 6.20 | 8.34 | 2.52 | 2.31 | 2.02 | 0.00 | 21.38 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance & Income Generation | 1.27 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Green City & Place | 55.76 | 57.88 | 135.44 | 36.38 | 15.80 | 3.83 | 305.08 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Health & Adults | 0.15 | 0.22 | 0.10 | 0.10 | 0.05 | 0.00 | 0.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stronger Communities | 1.87 | 6.70 | 0.00 | 0.00 | 0.00 | 0.00 | 8.57 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 | 466.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *CR - GF Borrowing | (20.28) | (35.78) | (128.00) | (16.97) | (12.75) | (1.91) | (215.69) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital Receipts | (6.61) | (3.37) | (1.55) | 0.00 | 0.00 | 0.00 | (11.52) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contributions | (9.06) | (4.79) | (8.95) | (3.50) | (2.50) | (1.91) | (30.70) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital Grants | (45.96) | (72.06) | (60.37) | (24.36) | (2.67) | 0.00 | (205.43) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------|------------------------------------|----------------|----------------|---------------|-----------------|
| | Revenue Financing | (1.62) | (1.46) | 0.00 | 0.00 | 0.00 | 0.00 | (3.08) |
| | Total Financing | (83.53) | (117.46) | (198.88) | (44.83) | (17.92) | (3.83) | (466.43) |
| | *CR – Council Resources | | | NB: Table includes rounded figures | | | | |
| 34. | Table 7 demonstrates that the most significant amount of funding for the General fund programme is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision, which is detailed within the revenue budget. | | | | | | | |
| 35. | Every effort will be made to explore external funding opportunities to reduce the need for borrowing. Should grants or contributions be made available to the Council in the future, these will be reported as part of the routine financial monitoring process. | | | | | | | |
| | CAPITAL STRATEGY | | | | | | | |
| 36. | The Council needs to have a fit for purpose Capital Strategy to ensure that all the Council's priorities are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2020/21 to 2025/26 and this is attached in annex 2.3. | | | | | | | |
| 37. | <p>The Prudential Code for Capital Finance in Local Authorities requires authorities to produce a capital strategy. The guidance outlines a number of key factors which they recommend be included in a capital strategy:</p> <ul style="list-style-type: none"> • The strategy should be formally approved by Council; • Clearly sets out the forthcoming capital expenditure of the Council; • There should be a clear link to the treasury management strategy, therefore including prudential indicators; • Focus on commercial activity and associated risks; • Long term impact and liabilities of decisions being undertaken; • Knowledge and skills of responsible officers. | | | | | | | |
| 38. | <p>Prudential Indicators are an indication that capital investment planning and the Authority's borrowing decisions are prudent and sustainable.</p> <p>HRA prudential indicators by statute are ring-fenced and are calculated separately.</p> <p>The prudential indicators have been set for the forthcoming period and comprise of three main components relating to: -</p> <ul style="list-style-type: none"> • Capital Expenditure – 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; • External Debt – 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 | | | | | | | |

| | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Affordability – the Ratio of Financing Costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs. |
| 39. | In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. The Council’s MRP policy is detailed in Annex 2.3(a), and requires approval as part of this report. |
| 40. | In preparing the capital strategy, the Authority will also take into account: <ul style="list-style-type: none"> • The Council’s Treasury Strategy, to be approved by Governance on 15th February 2021; • The Council’s Investment Strategy which is detailed in Annex 2.3(b) and requires approval as part of this report. |

| Annexes | |
|----------------|-----------------------------------------------------------|
| 2.1. | Variations to the General Fund Capital Programme Since Q3 |
| | 2.1(a) Client Case Management Addition |
| 2.2. | General Fund Capital Programme – Scheme Details |
| 2.3. | Capital Strategy 2020/21 – 2025/26 |
| | 2.3(a) MRP Strategy |
| | 2.3(b) Investment Strategy |

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| Portfolio | Scheme | £M | Funding Source | Report (App. 2) Paragraph Ref. |
|------------------------------------------------|----------------------------------------------------|------------------------|-----------------------------------------------------------|-----------------------------------------|
| <u>Additions to the GF Programme</u> | | | | |
| Children & Learning | SEND Review | 2.00 | Capital Receipts | 14 |
| Culture & Homes | Heritage Assets Repairs Programme | 0.20 | Capital Receipts | 16 |
| | Libraries Extended Opening Hours | 0.25 | Council Resources / Capital Receipts | 15 |
| | SeaCity Museum - Coroners Court Improvements | 0.02 | Capital Receipts | |
| | | <u>0.46</u> | | |
| Customer & Organisation | Civic Centre North Entrance | 0.02 | Capital Receipts | |
| | Client Case Management System* | 1.06 | DRF | 17 |
| | | <u>1.08</u> | | |
| Green City & Place | Mayflower Park Revetments | 0.50 | S106 Contributions / Capital Receipts / Council Resources | 19 |
| | Decarbonisation | 1.68 | Gov Grant | 23 |
| | Weston Shore Footpath | 0.09 | CIL Contributions | |
| | Southampton Common Gravel Path | 0.05 | Capital Receipts | |
| | Green Flag Park Improvements | 0.22 | S106 Contributions | 20 |
| | Traveller Defences | 0.10 | Capital Receipts | |
| | COVID 19 Depot Improvements | 0.25 | Capital Receipts | 21 |
| | Golf Course Cottages | 0.09 | Capital Receipts / External Contributions | |
| | <u>2.98</u> | | | |
| | <u>TOTAL GF ADDITIONS</u> | <u>6.52</u> | | |
| <u>Reductions from the GF Programme</u> | | | | |
| Culture & Homes | Woolston Library | (0.06) | Council Resources | |
| Finance & Income Generation | Property Investment Fund | (200.00) | Council Resources | 18 |
| Green City & Place | Purchase of Vehicles | (0.50) | Council Resources | 22 |
| | Green City - Salix Clean Growth Fund | (0.31) | Council Resources / External Contributions | 23 |
| | S106 Unallocated - Open Spaces | (0.23) | S106 Contributions | |
| | | <u>(1.04)</u> | | |
| Stronger Communities | Warm Homes | (0.68) | Gov Grants / S106 Contributions | 24 |
| | <u>TOTAL GF REDUCTIONS</u> | <u>(201.79)</u> | | |
| | <u>Total Variations to the GF Programme</u> | <u>(195.27)</u> | | |

NB: Figure above include rounded numbers

| | |
|---------------------------------|------------------------|
| Approved By Full Council | 0.00 |
| Approved By Cabinet | 0.00 |
| Approved under Delegated Powers | 0.00 |
| To be Approved | 6.52 |
| Addition & Spend | |
| Reduction | (201.79) |
| | <u>(195.27)</u> |

* additional detail relating to the Client Case Management System detailed in annex 2.1(a)

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Client Case Management Programme

The Client Case Management (CCM) programme is one of the Council's largest and most strategically important programmes. CCM started in 2018 with the procurement of CareDirector as a replacement for the current system for social care case management (Paris). SCC has used Paris for over 15 years and is one of the few remaining Paris customers. The ability of Adult and Children's social care staff to fully care for and protect their clients, to maintain accurate records that support good performance management and integration with health colleagues, and to undertake modernisation to ensure services remain effective and efficient all depend on having systems that are up to date and fit for purpose. It is considered essential to replace Paris as it is no longer formally supported by the supplier and is not capable of supporting service transformation plans.

The original pre-procurement CCM budget of £2.5M was approved by Council in 2018. Significant delays were experienced early in the programme due to the new version of CareDirector not being in an advanced state of development. As a result, Council was asked to approve a further £0.8M in autumn 2019 in order to fund the continuation of the programme team and keep Paris running until the revised launch date of April 2021. A settlement was reached with the supplier to secure compensatory licences and development time.

In late 2019 the supplier of CareDirector was acquired by Advanced, a global healthcare systems company, who conducted a post-acquisition audit and made significant changes to the development process. In February 2020 the Council became aware that key functionality was not yet developed in the product and would not be available until mid-2020. Further disruption was caused when the Covid-19 lockdown started in March 2020: the CCM programme was not stood down, in order to try and stay on track for April 2021 launch, but numerous staff had to be redeployed on urgent Covid response priorities, and more recently the team has been affected by the direct impact of absence due to Covid. As a result, although no audit has been conducted, some of the funding previously approved for CCM was effectively spent on the Council's Covid response.

Despite these hurdles, excellent progress has still been made during 2020, and in particular the commitment of Adult and Children's social care teams has grown. This has resulted in an expansion of work required as practitioners get to grips with the product and finalise the forms required (300 forms overall, of which half have now been built).

The cumulative effect of all these factors is that launch in April 2021 is no longer possible. All options for moving forward have been evaluated, including terminating the programme and either re-procuring an alternative, which would entail writing off most of the £3.3M spent so far and embarking on a new multi-year programme with no guarantee of quicker or cheaper outcomes; or staying with Paris, which is not considered acceptable as a way forward. As it remains the view of social care colleagues that CareDirector represents an important step forward for the Council, it is better for services and clients, as well as more economical for the Council, to extend rather than terminate the CCM programme.

A request for additional funding is therefore being made to ensure that the sizeable cross-council programme team, which needs to expand further as it approaches the testing phase, can maintain the necessary capacity through to the new launch date of autumn 2021. The request includes £0.64M of capital funding as well as £0.25Mk of revenue funding to cover training, continued Paris costs and delayed savings from decommissioning Paris. Contingency capital funding of £0.43M has also been requested in case the programme slips any further or 'surge' capacity is required as we approach launch.

As part of the revised programme plan, changes are being made to strengthen the social care expertise of CCM programme leadership. The Director of Children and Learning will now chair the programme and manage the supplier relationship. Relationships with other CareDirector customers, particularly Hampshire County Council, will also be maximised to ensure that jointly we hold the supplier to account and ensure launch during 2021.

Appendix 16

| Scheme No. | Project Description | Budget 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 | Budget 2025/26 | Total |
|---------------------------|--------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | £M | £M | £M | £M | £M | £M | |
| CC0002 | Primary Review P2 - Valentine Primary School Westwood Block | 0.014 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.014 |
| CC0004 | Primary Review P2 - Fairisle Junior | 0.513 | 0.035 | 0.000 | 0.000 | 0.000 | 0.000 | 0.548 |
| CC0008 | Springwell School - Main Expansion 15/16 | 0.517 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.517 |
| CC0010 | Springhill Primary Academy School - one modular building | 0.000 | 0.000 | 0.039 | 0.000 | 0.000 | 0.000 | 0.039 |
| CC0014 | St Denys | 0.069 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.069 |
| CC0020 | R&M Programme for School | 2.159 | 3.155 | 2.000 | 1.361 | 0.000 | 0.000 | 8.675 |
| CC0021 | Early Years Expansion Programme | 0.160 | 0.335 | 0.240 | 0.000 | 0.000 | 0.000 | 0.735 |
| CC0023 | St Mark's School | 7.900 | 21.000 | 6.500 | 0.507 | 0.000 | 0.000 | 35.907 |
| CC0025 | Schools Devolved Capital | 0.401 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.401 |
| CC0029 | Bitterne Park Secondary Building Programme - planning contribution | 0.060 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.060 |
| CC0030 | Bitterne Park Autism Resource Base | 0.029 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.029 |
| CC0033 | St George's School ESFA | 0.756 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.756 |
| CC0034 | Sholing Technical College Renovation | 2.027 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.027 |
| CC0035 | Regent Park Expansion | 0.980 | 0.045 | 0.000 | 0.000 | 0.000 | 0.000 | 1.025 |
| CC0037 | St George's Expansion | 0.132 | 0.600 | 1.555 | 0.050 | 0.000 | 0.000 | 2.337 |
| CC0038 | Cantell School Expansion | 0.380 | 0.449 | 0.000 | 0.000 | 0.000 | 0.000 | 0.829 |
| CC0039 | Chamberlayne Refurbishment | 0.000 | 7.529 | 0.000 | 0.000 | 0.000 | 0.000 | 7.529 |
| CC0041 | Healthy Pupil Capital Fund | 0.093 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.093 |
| CC0042 | Sure Start Sholing Year R Springwell | 0.054 | 0.064 | 0.000 | 0.000 | 0.000 | 0.000 | 0.118 |
| CC0043 | Great Oaks (Additional Interim Capacity & Improvement works) | 0.061 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.061 |
| CC0044 | Regent Park Sports Facility | 0.055 | 1.345 | 0.000 | 0.000 | 0.000 | 0.000 | 1.400 |
| CC0046 | Bitterne Park Cricket Nets | 0.011 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.011 |
| CC0047 | Mount Pleasant Junior School - Safeguarding | 0.061 | 0.207 | 0.000 | 0.000 | 0.000 | 0.000 | 0.268 |
| CC0048 | Newlands Hearing Centre | 0.050 | 0.600 | 0.430 | 0.029 | 0.000 | 0.000 | 1.109 |
| CC0049 | SEND Review | 0.000 | 4.500 | 36.500 | 0.000 | 0.000 | 0.000 | 41.000 |
| CC0050 | Children's Services - Residential Unit | 0.430 | 0.757 | 0.665 | 0.000 | 0.000 | 0.000 | 1.852 |
| CC0051 | Children's Services - Assessment Unit | 0.010 | 0.649 | 0.000 | 0.000 | 0.000 | 0.000 | 0.659 |
| CC0052 | Maytree School Playground | 0.000 | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.050 |
| CC0053 | Surestart | 0.050 | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| CC0054 | Purchase of two double modular classrooms at Bitterne Park School | 0.229 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.229 |
| CC0055 | Modular relocation & purchase from Springwell to Vermont | 0.025 | 0.189 | 0.000 | 0.000 | 0.000 | 0.000 | 0.214 |
| CC0056 | Reconfiguration of Compass School Green Lane | 0.015 | 0.473 | 0.010 | 0.000 | 0.000 | 0.000 | 0.498 |
| | | 17.241 | 42.032 | 47.939 | 1.947 | 0.000 | 0.000 | 109.159 |
| Sources of Finance | | | | | | | | |
| | Council Resources | 3.416 | 13.207 | 45.633 | 0.586 | 0.000 | 0.000 | 62.842 |
| | Capital Receipts | 0.000 | 2.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.000 |
| | Central Govt Grants | 13.825 | 26.825 | 2.306 | 1.361 | 0.000 | 0.000 | 44.317 |
| Total Programme | | 17.241 | 42.032 | 47.939 | 1.947 | 0.000 | 0.000 | 109.159 |

Culture & Homes

| Scheme No. | Project Description | Budget | Budget | Budget | Budget | Budget | Budget | Total |
|------------|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | |
| CAP1 | City of Culture - VE Day | 0.000 | 0.510 | 0.000 | 0.000 | 0.000 | 0.000 | 0.510 |
| CAP11 | Outdoor Leisure | 0.000 | 0.000 | 12.700 | 4.100 | 0.050 | 0.000 | 16.850 |
| CAP18 | Hoarders Project | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| CAP23 | Art Gallery Roof | 0.050 | 1.350 | 0.000 | 0.000 | 0.000 | 0.000 | 1.400 |
| CG0132 | Arts Gallery Improvements | 0.020 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.020 |
| CG0136 | Ancient Scheduled Monuments | 0.000 | 0.150 | 0.000 | 0.000 | 0.000 | 0.000 | 0.150 |
| CG0137 | Tudor House Museum Phase 1 | 0.005 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.005 |
| CG0138 | Sections 106 Playing Field Improvement | 0.071 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.071 |
| CG0139 | Outdoor Sports Centre Improvements | 0.430 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.430 |
| CG0140 | Art in Public Places – Millbrook and Weston | 0.013 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.013 |
| CG0142 | Tudor House Museum Phase 2 Implementation | 0.009 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.009 |
| CG0201 | S106 - Playing Fields - Unallocated | 0.234 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.234 |
| CG0202 | S106 - Art in Public Spaces - Unallocated | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.036 |
| CG0203 | S106 - City Walls - Unallocated | 0.014 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.014 |
| CG0208 | Heritage assets - Strategy | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.050 |
| LCAP1 | Extend Library Opening Hours | 0.000 | 0.064 | 0.185 | 0.000 | 0.000 | 0.000 | 0.249 |
| LCAP2 | SeaCity Museum | 0.000 | 0.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.015 |
| LCAP3 | Heritage Assets Repairs | 0.000 | 0.200 | 0.000 | 0.000 | 0.000 | 0.000 | 0.200 |
| | | 1.032 | 2.289 | 12.885 | 4.100 | 0.050 | 0.000 | 20.356 |

Sources of Finance

| | | | | | | | |
|------------------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Council Resources | 0.105 | 1.574 | 6.971 | 3.100 | 0.050 | 0.000 | 11.800 |
| Capital Receipts | 0.000 | 0.215 | 0.314 | 0.000 | 0.000 | 0.000 | 0.529 |
| Contributions | 0.785 | 0.500 | 5.600 | 1.000 | 0.000 | 0.000 | 7.885 |
| Central Govt Grants | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| Other Grants | 0.042 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.042 |
| Total Programme | 1.032 | 2.289 | 12.885 | 4.100 | 0.050 | 0.000 | 20.356 |

Customer & Organisation

| Scheme No. | Project Description | Budget | Budget | Budget | Budget | Budget | Budget | Total |
|------------|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | |
| CA0010 | Client Case Management System | 1.655 | 1.492 | 0.000 | 0.000 | 0.000 | 0.000 | 3.147 |
| CAP10 | Smarter Ways Of Working | 0.000 | 2.650 | 1.000 | 1.000 | 1.000 | 0.000 | 5.650 |
| CF0002 | Digital Investment Phase 2 & 3 | 0.051 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.051 |
| CG0155 | Desktop Refresh Programme | 0.970 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.970 |
| CG0158 | Civic Centre Upgrade | 0.562 | 0.620 | 0.000 | 0.000 | 0.000 | 0.000 | 1.182 |
| CG0211 | IT Equipment and Software Refresh | 1.723 | 3.507 | 1.515 | 1.306 | 1.015 | 0.000 | 9.066 |
| CG0214 | Office 365 | 0.800 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.800 |
| CI0001 | Customer Relationship Management Project | 0.042 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.042 |
| CI0002 | CRM Phase 2 | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| CI0020 | Other. PA System | 0.000 | 0.060 | 0.000 | 0.000 | 0.000 | 0.000 | 0.060 |
| CI0030 | Digital Customer - Content Management | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.050 |
| CI0040 | Digital Customer - Contact Centre Telephony | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.250 |
| PCAP1 | Civic Centre North Entrance | 0.000 | 0.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.015 |
| | | 6.203 | 8.344 | 2.515 | 2.306 | 2.015 | 0.000 | 21.383 |

Sources of Finance

| | | | | | | | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Council Resources | 4.238 | 6.837 | 2.515 | 2.306 | 2.015 | 0.000 | 17.911 |
| Capital Receipts | 1.697 | 0.444 | 0.000 | 0.000 | 0.000 | 0.000 | 2.141 |
| Direct Revenue | 0.268 | 1.063 | 0.000 | 0.000 | 0.000 | 0.000 | 1.331 |
| Total Programme | 6.203 | 8.344 | 2.515 | 2.306 | 2.015 | 0.000 | 21.383 |

Finance & Income Generation

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|---------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| CG0210 | Drivers Wharf | 1.205 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.205 |
| CG0210 | Coopers Wharf | 0.065 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.065 |
| | | 1.270 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.270 |
| Sources of Finance | | | | | | | | |
| | Council Resources | 0.630 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.630 |
| | Direct Revenue | 0.640 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.640 |
| | Total Programme | 1.270 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.270 |

Green City & Place

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|------------|----------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| CAP19 | Stoneham Lodge | 0.068 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.068 |
| CAP2 | Bitterne Community Hub | 0.000 | 0.000 | 30.000 | 0.000 | 0.000 | 0.000 | 30.000 |
| CAP20 | Play Areas (high priority as part of Leader initiatives) | 0.000 | 0.410 | 0.000 | 0.000 | 0.000 | 0.000 | 0.410 |
| CAP21 | Open Spaces (and remaining play parks) | 0.160 | 0.350 | 0.000 | 0.000 | 0.000 | 0.000 | 0.510 |
| CAP22 | Transport Schemes Match Funding | 1.500 | 0.150 | 5.150 | 0.000 | 0.000 | 0.000 | 6.800 |
| CAP27 | Pavements | 0.500 | 0.500 | 0.500 | 0.500 | 0.500 | 0.000 | 2.500 |
| CAP3 | Green City - Salix Clean Growth Fund | 0.000 | 2.163 | 5.700 | 4.000 | 4.000 | 3.827 | 19.690 |
| CAP6 | Highways Programme | 0.000 | 6.800 | 7.800 | 7.800 | 7.800 | 0.000 | 30.200 |
| CCAP1 | Mayflower Park | 0.000 | 0.250 | 0.250 | 0.000 | 0.000 | 0.000 | 0.500 |
| CCAP2 | Weston Shore Footpath | 0.000 | 0.090 | 0.000 | 0.000 | 0.000 | 0.000 | 0.090 |
| CCAP3 | Southampton Common | 0.000 | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.050 |
| CCAP4 | Green Flag Improvements | 0.000 | 0.223 | 0.000 | 0.000 | 0.000 | 0.000 | 0.223 |
| CCAP5 | Traveller Defences | 0.000 | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| CCAP7 | Covid improvements - Depots | 0.000 | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 | 0.250 |
| CG0002 | Mobile Working | 0.048 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.048 |
| CG0004 | QE2 Mile - Bargate Square | 0.000 | 0.960 | 0.000 | 0.000 | 0.000 | 0.000 | 0.960 |
| CG0006 | Cycling | 1.886 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.886 |
| CG0008 | Public Transport | 1.438 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.438 |
| CG0009 | Improved Safety | 0.451 | 0.090 | 0.000 | 0.000 | 0.000 | 0.000 | 0.541 |
| CG0010 | Travel to School | 0.219 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.219 |
| CG0012 | School Travel Plan Measures | 0.022 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.022 |
| CG0013 | Accessibility | 0.293 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.293 |
| CG0016 | Local Transport Improvement Fund | 0.253 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.253 |
| CG0017 | Intelligent Transport Systems | 0.862 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.862 |
| CG0021 | Urban Freight Strategy - Delivery Service Plans | 0.047 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.047 |
| CG0024 | Electric Vehicle Action Plan | 0.809 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.809 |
| CG0026 | Additional Roads Programme | 0.661 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.661 |
| CG0027 | Essential Highways Minor Works | 0.055 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.055 |
| CG0028 | Pothole Action Fund | 0.482 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.482 |
| CG0029 | Cycleways Improvements Programme | 0.084 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.084 |
| CG0033 | Eastern strategic cycle route development | 0.035 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.035 |
| CG0034 | NCR: Ave East Lodge Rd – Dorset St | 0.088 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.088 |
| CG0037 | Bus Lane & Traffic Enforcement | 0.010 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.010 |
| CG0038 | Bus Corridor Minor Works | 0.248 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.248 |
| CG0040 | Northam Rail Bridge and corridor improvements | 0.134 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.134 |
| CG0042 | Other Bridge Works | 1.025 | 0.030 | 0.000 | 0.000 | 0.000 | 0.000 | 1.055 |
| CG0045 | Various Principal | 1.400 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.400 |
| CG0046 | Classified Roads | 0.500 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.500 |
| CG0049 | Unclassified Roads | 1.670 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.670 |
| CG0050 | Footways - Various Treatments | 1.655 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.655 |
| CG0051 | Highways Network Delivery | 0.274 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.274 |
| CG0052 | Highways Drainage Investigations | 0.295 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.295 |
| CG0053 | Street Lighting | 0.013 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.013 |
| CG0054 | Road Restraint Systems | 0.164 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.164 |
| CG0060 | Highways Improvements (Developer) | 0.571 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.571 |
| CG0063 | Emergency Repairs to Multi-Storey Carparks | 0.020 | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.056 |

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|------------|---------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------|
| CG0064 | Car Park shutters | 0.111 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.111 |
| CG0145 | Bitterne Public Services Hub | 0.177 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.177 |
| CG0147 | Enterprise Centre | 0.019 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.019 |
| CG0148 | Town Depot | 0.020 | 0.210 | 0.000 | 0.000 | 0.000 | 0.000 | 0.230 |
| CG0149 | Royal Pier | 0.000 | 0.406 | 0.000 | 0.000 | 0.000 | 0.000 | 0.406 |
| CG0150 | Mayflower Park Spitfire Memorial | 0.000 | 0.012 | 0.000 | 0.000 | 0.000 | 0.000 | 0.012 |
| CG0151 | West Quay Phase 3 Watermark West Quay | 0.015 | 0.417 | 0.000 | 0.000 | 0.000 | 0.000 | 0.432 |
| CG0152 | West Quay Phase 3 Site B | 0.020 | 0.037 | 0.000 | 0.000 | 0.000 | 0.000 | 0.057 |
| CG0176 | Replacement Card Readers | 0.039 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.039 |
| CG0193 | Former Toys R Us Site Development | 0.035 | 0.226 | 26.700 | 0.000 | 0.000 | 0.000 | 26.961 |
| CG0195 | Itchen Bridge Card Readers | 0.200 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.200 |
| CG0196 | M27/M3 Travel Demand Management | 0.360 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.360 |
| CG0197 | S106 - Highways - Unallocated | 0.073 | 0.308 | 0.000 | 0.000 | 0.000 | 0.000 | 0.381 |
| CG0198 | S106 - Integrated Transport - Unallocated | 0.248 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.248 |
| CG0199 | S106 - Open Spaces - Unallocated | 0.714 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.714 |
| CG0200 | S106 - Play Areas - Unallocated | 0.189 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.189 |
| CG0204 | S106 - QE2 Mile - Unallocated | 0.300 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.300 |
| CG0205 | S144 Contract Completion | 0.035 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.035 |
| CG0209 | Future Transport Zone | 8.590 | 8.940 | 11.230 | 0.000 | 0.000 | 0.000 | 28.760 |
| CG0215 | Transforming Cities Fund | 13.041 | 29.396 | 45.836 | 22.000 | 1.500 | 0.000 | 111.773 |
| CT0001 | Purchase of vehicles | 3.303 | 2.364 | 2.000 | 2.000 | 2.000 | 0.000 | 11.667 |
| CT0002 | Priory Road - Property Level Protection Scheme | 0.002 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.002 |
| CT0003 | Lighting Upgrades Salix Works | 0.000 | 0.006 | 0.000 | 0.000 | 0.000 | 0.000 | 0.006 |
| CT0007 | Deep Dene Play Area | 0.004 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.004 |
| CT0009 | Cedar Lodge Play Area | 0.003 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.003 |
| CT0018 | Daisy Dip Play Area | 0.096 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.096 |
| CT0020 | Coxford Play Area | 0.007 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.007 |
| CT0035 | Hum Hole | 0.002 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.002 |
| CT0036 | Lordsdale Greenway | 0.005 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.005 |
| CT0037 | Riverside Park | 0.005 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.005 |
| CT0039 | Westwood Greenway | 0.028 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.028 |
| CT0040 | Mayfield Park Improvements | 0.023 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.023 |
| CT0041 | City Pride - Improvements to Queens Park | 0.035 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.035 |
| CT0042 | Shoreburs Greenway Footpath Improvement Project | 0.084 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.084 |
| CT0043 | Portswood Entrance Improvements | 0.008 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.008 |
| CT0044 | Blechynden Terrace Park | 0.012 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.012 |
| CT0046 | Tree Surgery Mobile Elevated Working Platform | 0.075 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.075 |
| CT0047 | Wildflower Area Mower | 0.035 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.035 |
| CT0049 | Realignment of Park Walk Entrance to East Park | 0.031 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.031 |
| CT0053 | Purchase of vehicles - Electric Vehicles | 0.816 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.816 |
| CT0054 | Purchase of vehicles - Refuse Collection Vehicles | 2.900 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.900 |
| CT0055 | Solar Powered Compactor Bins | 1.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.000 |
| CT0059 | Woodmill Play Area | 0.002 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.002 |
| CT0061 | Weston Shore Coastal Erosion | 0.972 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.972 |
| CT0063 | Red Lodge Bin Storage | 0.050 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.050 |
| CT0064 | Welfare Improvements at Mayfield Depot | 0.019 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.019 |
| CT0065 | Clean Air Zone | 0.130 | 0.140 | 0.000 | 0.000 | 0.000 | 0.000 | 0.270 |
| CT0066 | Townhill Park Infrastructure - Roads | 2.783 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.783 |
| CT0067 | Townhill Park Infrastructure - Parks | 0.536 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.536 |
| CT0069 | Eddies Play Trail | 0.005 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.005 |
| CT0070 | Hoglands Park Improvements | 0.081 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.081 |
| CT0071 | Tranman - Fleet System Upgrade | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.036 |
| CT0074 | S106 - Air Quality - Unallocated | 0.000 | 0.011 | 0.000 | 0.000 | 0.000 | 0.000 | 0.011 |
| CT0075 | City Services - Depots | 0.100 | 0.620 | 0.000 | 0.000 | 0.000 | 0.000 | 0.720 |
| CT0076 | Rozel Court Play Area | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.036 |
| CT0077 | Millbrook Rec Play Area | 0.053 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.053 |
| CT0078 | Bracklesham Close Play Area | 0.046 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.046 |
| CT0079 | Pat Bear Close Play Area | 0.042 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.042 |
| CT0080 | Ivy Dene Play Area | 0.038 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.038 |
| CT0082 | Peace Fountain | 0.150 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.150 |
| CT0090 | Green City - Action Plan | 0.084 | 0.568 | 0.270 | 0.078 | 0.000 | 0.000 | 1.000 |
| CCAP8 | Golf Course Cottages | 0.000 | 0.085 | 0.000 | 0.000 | 0.000 | 0.000 | 0.085 |
| CCAP9 | Decarbonisation | 0.000 | 1.680 | 0.000 | 0.000 | 0.000 | 0.000 | 1.680 |
| | | 55.763 | 57.878 | 135.436 | 36.378 | 15.800 | 3.827 | 305.082 |

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|---------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------|
| Sources of Finance | | | | | | | | |
| | Council Resources | 11.720 | 13.483 | 72.785 | 10.878 | 10.630 | 1.914 | 121.410 |
| | Capital Receipts | 4.615 | 0.456 | 1.235 | 0.000 | 0.000 | 0.000 | 6.306 |
| | Contributions | 8.129 | 2.997 | 3.350 | 2.500 | 2.500 | 1.913 | 21.389 |
| | Central Govt Grants | 30.526 | 40.542 | 58.066 | 23.000 | 2.670 | 0.000 | 154.804 |
| | Other Grants | 0.060 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.060 |
| | Direct Revenue | 0.713 | 0.400 | 0.000 | 0.000 | 0.000 | 0.000 | 1.113 |
| | Total Programme | 55.763 | 57.878 | 135.436 | 36.378 | 15.800 | 3.827 | 305.082 |

Health & Adults

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|---------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| CA0003 | S106 - Centenary Quay | 0.001 | 0.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.016 |
| CA0006 | Telecare Equipment | 0.150 | 0.100 | 0.100 | 0.100 | 0.050 | 0.000 | 0.500 |
| CA0009 | Integrated Working | 0.000 | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| | | 0.151 | 0.215 | 0.100 | 0.100 | 0.050 | 0.000 | 0.616 |
| Sources of Finance | | | | | | | | |
| | Council Resources | 0.150 | 0.200 | 0.100 | 0.100 | 0.050 | 0.000 | 0.600 |
| | Contributions | 0.001 | 0.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.016 |
| | Total Programme | 0.151 | 0.215 | 0.100 | 0.100 | 0.050 | 0.000 | 0.616 |

Stronger Communities

| Scheme No. | Project Description | Budget 2020/21 £M | Budget 2021/22 £M | Budget 2022/23 £M | Budget 2023/24 £M | Budget 2024/25 £M | Budget 2025/26 £M | Total £M |
|---------------------------|---------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| CT0027 | Disabled Facilities Grants - Approved Adaptations | 1.100 | 4.508 | 0.000 | 0.000 | 0.000 | 0.000 | 5.608 |
| CT0028 | Disabled Facilities Grants - Support Costs | 0.295 | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 | 0.545 |
| CT0030 | Estate Parking Improvements | 0.090 | 0.141 | 0.000 | 0.000 | 0.000 | 0.000 | 0.231 |
| CT0068 | Warm Homes | 0.360 | 0.194 | 0.000 | 0.000 | 0.000 | 0.000 | 0.554 |
| CT0072 | S106 - Affordable Homes - Unallocated | 0.000 | 1.122 | 0.000 | 0.000 | 0.000 | 0.000 | 1.122 |
| CT0073 | S106 - CCTV - Unallocated | 0.000 | 0.005 | 0.000 | 0.000 | 0.000 | 0.000 | 0.005 |
| CT0081 | Crematorium Refurbishment | 0.020 | 0.480 | 0.000 | 0.000 | 0.000 | 0.000 | 0.500 |
| | | 1.865 | 6.700 | 0.000 | 0.000 | 0.000 | 0.000 | 8.565 |
| Sources of Finance | | | | | | | | |
| | Council Resources | 0.020 | 0.480 | 0.000 | 0.000 | 0.000 | 0.000 | 0.500 |
| | Capital Receipts | 0.295 | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 | 0.545 |
| | Contributions | 0.140 | 1.273 | 0.000 | 0.000 | 0.000 | 0.000 | 1.413 |
| | Central Govt Grants | 1.210 | 4.618 | 0.000 | 0.000 | 0.000 | 0.000 | 5.828 |
| | Other Grants | 0.200 | 0.079 | 0.000 | 0.000 | 0.000 | 0.000 | 0.279 |
| | Total Programme | 1.865 | 6.700 | 0.000 | 0.000 | 0.000 | 0.000 | 8.565 |

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Southampton City Council

CAPITAL STRATEGY

2020/21 – 2025/26

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| | <u>SECTION 1 – INTRODUCTION</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1.1 | Background | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.1 | This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.2 | The Prudential Code requires the Council to have in place a capital strategy that sets out the long term context in which capital expenditure decisions are made in order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1.3 | Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised within this strategy. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>SECTION 2 - CAPITAL EXPENDITURE AND FINANCING</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.1 | Estimates of Capital Expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.1.1 | <p>Capital expenditure is where the Authority spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year. In 2021/22 the Authority is planning capital expenditure of £179.40M, shown below:</p> <p><i>Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions</i></p> <table border="1"> <thead> <tr> <th>Capital Expenditure and Financing</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> </tr> <tr> <td></td> <td>Actual</td> <td>Forecast</td> <td>Forecast</td> <td>Forecast</td> <td>Forecast</td> <td>Forecast</td> <td>Forecast</td> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>56.04</td> <td>83.53</td> <td>117.46</td> <td>198.88</td> <td>44.83</td> <td>17.92</td> <td>3.83</td> </tr> <tr> <td>HRA</td> <td>41.05</td> <td>47.36</td> <td>61.94</td> <td>73.99</td> <td>98.05</td> <td>65.55</td> <td>29.62</td> </tr> <tr> <td>Total Expenditure</td> <td>97.09</td> <td>130.88</td> <td>179.40</td> <td>272.86</td> <td>142.88</td> <td>83.47</td> <td>33.45</td> </tr> <tr> <td>Capital receipts</td> <td>8.20</td> <td>17.76</td> <td>11.35</td> <td>14.23</td> <td>9.01</td> <td>4.32</td> <td>2.77</td> </tr> <tr> <td>Capital Grants</td> <td>31.85</td> <td>45.96</td> <td>72.56</td> <td>60.37</td> <td>24.36</td> <td>2.67</td> <td>0.00</td> </tr> <tr> <td>Contributions</td> <td>4.35</td> <td>9.06</td> <td>6.70</td> <td>9.25</td> <td>3.50</td> <td>2.50</td> <td>1.91</td> </tr> <tr> <td>Major Repairs Allowance</td> <td>19.60</td> <td>19.07</td> <td>20.92</td> <td>21.53</td> <td>22.12</td> <td>22.71</td> <td>23.42</td> </tr> <tr> <td>Direct Revenue Financing</td> <td>11.83</td> <td>10.41</td> <td>5.34</td> <td>6.05</td> <td>6.70</td> <td>8.23</td> <td>1.19</td> </tr> <tr> <td>Council Resources - borrowing</td> <td>21.26</td> <td>28.63</td> <td>62.53</td> <td>161.43</td> <td>77.19</td> <td>43.05</td> <td>4.16</td> </tr> <tr> <td>Total Financing</td> <td>97.09</td> <td>130.88</td> <td>179.40</td> <td>272.86</td> <td>142.88</td> <td>83.47</td> <td>33.45</td> </tr> </tbody> </table> | Capital Expenditure and Financing | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | | Actual | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | General Fund | 56.04 | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 | HRA | 41.05 | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | Total Expenditure | 97.09 | 130.88 | 179.40 | 272.86 | 142.88 | 83.47 | 33.45 | Capital receipts | 8.20 | 17.76 | 11.35 | 14.23 | 9.01 | 4.32 | 2.77 | Capital Grants | 31.85 | 45.96 | 72.56 | 60.37 | 24.36 | 2.67 | 0.00 | Contributions | 4.35 | 9.06 | 6.70 | 9.25 | 3.50 | 2.50 | 1.91 | Major Repairs Allowance | 19.60 | 19.07 | 20.92 | 21.53 | 22.12 | 22.71 | 23.42 | Direct Revenue Financing | 11.83 | 10.41 | 5.34 | 6.05 | 6.70 | 8.23 | 1.19 | Council Resources - borrowing | 21.26 | 28.63 | 62.53 | 161.43 | 77.19 | 43.05 | 4.16 | Total Financing | 97.09 | 130.88 | 179.40 | 272.86 | 142.88 | 83.47 | 33.45 |
| Capital Expenditure and Financing | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Actual | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Fund | 56.04 | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HRA | 41.05 | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Expenditure | 97.09 | 130.88 | 179.40 | 272.86 | 142.88 | 83.47 | 33.45 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital receipts | 8.20 | 17.76 | 11.35 | 14.23 | 9.01 | 4.32 | 2.77 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital Grants | 31.85 | 45.96 | 72.56 | 60.37 | 24.36 | 2.67 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contributions | 4.35 | 9.06 | 6.70 | 9.25 | 3.50 | 2.50 | 1.91 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Major Repairs Allowance | 19.60 | 19.07 | 20.92 | 21.53 | 22.12 | 22.71 | 23.42 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Direct Revenue Financing | 11.83 | 10.41 | 5.34 | 6.05 | 6.70 | 8.23 | 1.19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Council Resources - borrowing | 21.26 | 28.63 | 62.53 | 161.43 | 77.19 | 43.05 | 4.16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Financing | 97.09 | 130.88 | 179.40 | 272.86 | 142.88 | 83.47 | 33.45 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Due to changes in the accounting requirements for 'right to use leases, which comes into effect on 1 April 2022, the Authority is currently assessing what impact this will have on the Capital programme, CFR and MRP liability. | | | | | | | |
| 2.1.2 | The main General Fund capital projects are summarised below, in Table 2, by the Council's 5 key programmes. | | | | | | | |
| 2.1.3 | Table 2: General Fund Major Projects By Programme | | | | | | | |
| | Programme | Major Project | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M |
| | Communities, culture & homes | Community Safety | 1.40 | 4.76 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | City of Culture | 0.00 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Arts & Heritage | 0.18 | 1.52 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Estate Improvements - GF | 0.09 | 1.26 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Sport & Recreation | 0.74 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Outdoor Leisure | 0.10 | 0.00 | 12.70 | 4.10 | 0.05 | 0.00 |
| | | Other | 0.43 | 1.03 | 0.19 | 0.00 | 0.00 | 0.00 |
| | Green City | Green City Charter | 0.08 | 4.41 | 5.97 | 4.08 | 4.00 | 3.83 |
| | | Open Spaces | 1.34 | 1.06 | 0.25 | 0.00 | 0.00 | 0.00 |
| | | Play Area Improvements | 0.52 | 0.41 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Parks Development Works | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Solar Powered Compactor Bins | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Other | 0.68 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Place Shaping | Bridges Programme | 1.23 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Highways Programme | 11.29 | 7.11 | 7.80 | 7.80 | 7.80 | 0.00 |
| | | Integrated Transport | 16.89 | 9.18 | 16.38 | 0.00 | 0.00 | 0.00 |
| | | Fleet Investment | 7.02 | 2.36 | 2.00 | 2.00 | 2.00 | 0.00 |
| | | Flood Risk Management | 0.97 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Connected Southampton | 13.04 | 29.40 | 45.84 | 22.00 | 1.50 | 0.00 |
| | | Pavements Programme | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 |
| | | Bitterne Community Hub | 0.18 | 0.00 | 30.00 | 0.00 | 0.00 | 0.00 |
| | | Heart of the City | 0.34 | 1.41 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Other | 0.46 | 0.59 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Successful, sustainable business | Digital & IT | 5.64 | 5.06 | 1.52 | 1.31 | 1.02 | 0.00 |
| | | City Regeneration | 1.32 | 0.23 | 26.70 | 0.00 | 0.00 | 0.00 |
| | | The Way we Work | 0.56 | 3.29 | 1.00 | 1.00 | 1.00 | 0.00 |
| | | Other | 0.12 | 1.08 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Wellbeing | Early Years Expansion | 0.16 | 0.34 | 0.24 | 0.00 | 0.00 | 0.00 |
| | | Primary Review & Expansion | 1.39 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | School Capital Maintenance | 2.32 | 3.36 | 2.00 | 1.36 | 0.00 | 0.00 |
| | | Secondary Review & Expansion | 12.39 | 30.97 | 8.09 | 0.56 | 0.00 | 0.00 |
| | | Newlands Hearing Centre | 0.05 | 0.60 | 0.43 | 0.03 | 0.00 | 0.00 |
| | | SEND Review & Expansion | 0.04 | 5.16 | 36.51 | 0.00 | 0.00 | 0.00 |
| | | Childrens Services - Residential/Assess | 0.44 | 1.41 | 0.67 | 0.00 | 0.00 | 0.00 |
| | | Health & Adult Social Care | 0.15 | 0.20 | 0.10 | 0.10 | 0.05 | 0.00 |
| | | Other | 0.45 | 0.12 | 0.00 | 0.00 | 0.00 | 0.00 |
| | TOTAL | 83.53 | 117.46 | 198.88 | 44.83 | 17.92 | 3.83 | |

| 2.1.4 | <p>The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of new homes. The main programmes are shown below:</p> <p><i>Table 3: HRA Major Projects By Programme</i></p> <table border="1" data-bbox="300 394 1449 965"> <thead> <tr> <th>Programme</th> <th>Major Project</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Communities, culture & homes</td> <td>Improving Quality of Homes</td> <td>4.83</td> <td>7.57</td> <td>6.25</td> <td>7.37</td> <td>7.73</td> <td>7.73</td> </tr> <tr> <td>Making Homes Energy Efficient</td> <td>5.89</td> <td>17.94</td> <td>22.84</td> <td>12.17</td> <td>13.11</td> <td>12.68</td> </tr> <tr> <td>Making Homes Safe</td> <td>13.14</td> <td>11.97</td> <td>5.98</td> <td>6.16</td> <td>1.35</td> <td>1.28</td> </tr> <tr> <td>Estate Regeneration</td> <td>19.70</td> <td>19.09</td> <td>34.48</td> <td>68.35</td> <td>39.12</td> <td>3.68</td> </tr> <tr> <td>Supporting Communities</td> <td>1.69</td> <td>2.51</td> <td>2.40</td> <td>1.98</td> <td>2.22</td> <td>2.22</td> </tr> <tr> <td>Supporting Independent Living</td> <td>2.11</td> <td>2.87</td> <td>2.02</td> <td>2.02</td> <td>2.02</td> <td>2.02</td> </tr> <tr> <td></td> <td>TOTAL</td> <td>47.35</td> <td>61.94</td> <td>73.99</td> <td>98.05</td> <td>65.55</td> <td>29.62</td> </tr> </tbody> </table> | Programme | Major Project | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Communities, culture & homes | Improving Quality of Homes | 4.83 | 7.57 | 6.25 | 7.37 | 7.73 | 7.73 | Making Homes Energy Efficient | 5.89 | 17.94 | 22.84 | 12.17 | 13.11 | 12.68 | Making Homes Safe | 13.14 | 11.97 | 5.98 | 6.16 | 1.35 | 1.28 | Estate Regeneration | 19.70 | 19.09 | 34.48 | 68.35 | 39.12 | 3.68 | Supporting Communities | 1.69 | 2.51 | 2.40 | 1.98 | 2.22 | 2.22 | Supporting Independent Living | 2.11 | 2.87 | 2.02 | 2.02 | 2.02 | 2.02 | | TOTAL | 47.35 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------------------|----------------------------|------|------|------|------|------|------|-------------------------------|------|-------|-------|-------|-------|-------|-------------------|-------|-------|------|------|------|------|---------------------|-------|-------|-------|-------|-------|------|------------------------|------|------|------|------|------|------|-------------------------------|------|------|------|------|------|------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Programme | Major Project | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Communities, culture & homes | Improving Quality of Homes | 4.83 | 7.57 | 6.25 | 7.37 | 7.73 | 7.73 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Making Homes Energy Efficient | 5.89 | 17.94 | 22.84 | 12.17 | 13.11 | 12.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Making Homes Safe | 13.14 | 11.97 | 5.98 | 6.16 | 1.35 | 1.28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Estate Regeneration | 19.70 | 19.09 | 34.48 | 68.35 | 39.12 | 3.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Supporting Communities | 1.69 | 2.51 | 2.40 | 1.98 | 2.22 | 2.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Supporting Independent Living | 2.11 | 2.87 | 2.02 | 2.02 | 2.02 | 2.02 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | TOTAL | 47.35 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2 | Governance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2.1 | <p>Service managers bid annually in November/December to include projects in the Authority's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Executive Management Board (EMB) appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Cabinet members. The final capital programme is then presented to Cabinet and to Council in late February each year.</p> <p>The Capital Strategy 2020/21 to 2025/26 is incorporated into the Revenue Budget 2021/22, Medium Term Financial Forecast 2021/22 to 2024/25 and Capital Programme 2020/21 to 2025/26 report, presented to Council on 24 February 2021.</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 utilising an operating lease arrangement, however with the flexibility afforded through Prudential Borrowing this source of financing is less attractive.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.3.2 | <p><u>Local Enterprise Partnership Funding</u></p> <p>Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process to award funding is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 2.3.3 | <p><u>Tax Increment Financing (TIF)</u></p> <p>The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF, as an incentive to grow local economies and attract new businesses to areas.</p> <p>In essence TIF allows councils to borrow against future increases in Business Rate revenues generated as a result 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> |
| 2.3.4 | <p><u>S106 Agreements</u></p> <p>S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it.</p> <p>These contributions are site specific or can be ‘pooled’ for a maximum of 5 site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.</p> <p>S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art. However, since the council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.</p> <p>The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.</p> <p>With the exception of funding for affordable housing the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space will become zero over time as the CIL continues to be applied.</p> |
| 2.3.5 | <p><u>Community Infrastructure Levy (CIL)</u></p> <p>CIL was adopted by the council in September 2013. CIL contributions are determined by set rates as detailed within the council’s CIL Charging Schedule, and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.</p> <p>The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.</p> <p>The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood</p> |

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| | <p>defence, open space, recreation and sport, roads and transport facilities, education and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations. In addition, SCC have opted to continue to seek S106 contributions for transport. All other S106s contributions are now agreed through CIL.</p> <p>The Localism Act also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance works. The funding could be used towards a significant number of the council's current programmes i.e. School Expansion and the Roads Programme.</p> <p>The CIL funding can be used to fund existing schemes within the current General Fund capital programme that meet the definition of infrastructure. The previous agreed approach is to treat the CIL monies as a central pot of funding to be allocated as overall council resources to fund the capital programme.</p> <p>However, it should be noted that 15% (25% if a Neighbourhood Plan is in place) of receipts need to be applied to schemes in the ward that the receipt originated from, in consultation and agreement with the local community.</p> |
| 2.3.6 | <p><u>Private Finance Initiative (PFI)</u></p> <p>Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.</p> <p>Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the council.</p> <p>No additional PFI projects are anticipated. Any such proposals would be presented to the EMB for evaluation before presentation for Members approval.</p> |
| 2.4 | <p>Gross Debt and the Capital Financing Requirement</p> |
| 2.4.1 | <p>Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The Authority's full MRP strategy is detailed in annex 2.3(a).</p> |
| 2.4.2 | <p>The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £48M during 2021/22.</p> |
| 2.4.3 | <p>CFR is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as detailed in table 4 below.</p> |

| 2.4.4 | Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | <table border="1"> <thead> <tr> <th data-bbox="300 241 715 309">Capital Financing Requirement</th> <th data-bbox="715 241 831 309">31/03/2020</th> <th data-bbox="831 241 954 309">31/03/2021</th> <th data-bbox="954 241 1077 309">31/03/2022</th> <th data-bbox="1077 241 1200 309">31/03/2023</th> <th data-bbox="1200 241 1323 309">31/03/2024</th> <th data-bbox="1323 241 1465 309">31/03/2025</th> </tr> <tr> <td></td> <th data-bbox="715 309 831 421">Actual £M</th> <th data-bbox="831 309 954 421">Forecast £M</th> <th data-bbox="954 309 1077 421">Forecast £M</th> <th data-bbox="1077 309 1200 421">Forecast £M</th> <th data-bbox="1200 309 1323 421">Forecast £M</th> <th data-bbox="1323 309 1465 421">Forecast £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 421 715 465">Balance Brought forward</td> <td data-bbox="715 421 831 465">334.02</td> <td data-bbox="831 421 954 465">339.58</td> <td data-bbox="954 421 1077 465">349.95</td> <td data-bbox="1077 421 1200 465">374.32</td> <td 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data-bbox="1200 555 1323 600">0.00</td> <td data-bbox="1323 555 1465 600">0.00</td> </tr> <tr> <td data-bbox="300 600 715 645">Movement in Other Liabilities</td> <td data-bbox="715 600 831 645">(3.24)</td> <td data-bbox="831 600 954 645">(3.41)</td> <td data-bbox="954 600 1077 645">(3.82)</td> <td data-bbox="1077 600 1200 645">(3.50)</td> <td data-bbox="1200 600 1323 645">(3.65)</td> <td data-bbox="1323 600 1465 645">(4.34)</td> </tr> <tr> <td data-bbox="300 645 715 689">MRP Holiday</td> <td data-bbox="715 645 831 689">0.00</td> <td data-bbox="831 645 954 689">0.00</td> <td data-bbox="954 645 1077 689">0.00</td> <td data-bbox="1077 645 1200 689">0.00</td> <td data-bbox="1200 645 1323 689">0.00</td> <td data-bbox="1323 645 1465 689">0.00</td> </tr> <tr> <td data-bbox="300 689 715 734">Total General Fund Debt</td> <td data-bbox="715 689 831 734">339.58</td> <td data-bbox="831 689 954 734">349.95</td> <td data-bbox="954 689 1077 734">374.32</td> <td data-bbox="1077 689 1200 734">490.16</td> <td data-bbox="1200 689 1323 734">492.08</td> <td data-bbox="1323 689 1465 734">488.48</td> </tr> <tr> <td data-bbox="300 734 715 779">HRA</td> <td data-bbox="715 734 831 779">169.13</td> <td data-bbox="831 734 954 779">177.49</td> <td data-bbox="954 734 1077 779">201.07</td> <td data-bbox="1077 734 1200 779">232.69</td> <td data-bbox="1200 734 1323 779">291.11</td> <td data-bbox="1323 734 1465 779">321.41</td> </tr> <tr> <td data-bbox="300 779 715 824">Total CFR</td> <td data-bbox="715 779 831 824">508.71</td> <td data-bbox="831 779 954 824">527.44</td> <td data-bbox="954 779 1077 824">575.39</td> <td data-bbox="1077 779 1200 824">722.85</td> <td data-bbox="1200 779 1323 824">783.19</td> <td data-bbox="1323 779 1465 824">809.89</td> </tr> <tr> <td data-bbox="300 824 715 869">Estimated Debt</td> <td data-bbox="715 824 831 869">345.06</td> <td data-bbox="831 824 954 869">359.90</td> <td data-bbox="954 824 1077 869">457.33</td> <td data-bbox="1077 824 1200 869">609.72</td> <td data-bbox="1200 824 1323 869">670.28</td> <td data-bbox="1323 824 1465 869">695.13</td> </tr> <tr> <td data-bbox="300 869 715 913">Under / (Over) Borrowed</td> <td data-bbox="715 869 831 913">163.65</td> <td data-bbox="831 869 954 913">167.54</td> <td data-bbox="954 869 1077 913">118.06</td> <td data-bbox="1077 869 1200 913">113.13</td> <td data-bbox="1200 869 1323 913">112.91</td> <td data-bbox="1323 869 1465 913">114.76</td> </tr> </tbody> </table> | Capital Financing Requirement | 31/03/2020 | 31/03/2021 | 31/03/2022 | 31/03/2023 | 31/03/2024 | 31/03/2025 | | Actual £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Balance Brought forward | 334.02 | 339.58 | 349.95 | 374.32 | 490.16 | 492.08 | New Borrowing | 17.26 | 20.28 | 35.78 | 128.00 | 16.97 | 12.75 | MRP | (6.06) | (6.50) | (7.59) | (8.66) | (11.40) | (12.01) | Appropriations (to) from HRA | (2.40) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Movement in Other Liabilities | (3.24) | (3.41) | (3.82) | (3.50) | (3.65) | (4.34) | MRP Holiday | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | Total General Fund Debt | 339.58 | 349.95 | 374.32 | 490.16 | 492.08 | 488.48 | HRA | 169.13 | 177.49 | 201.07 | 232.69 | 291.11 | 321.41 | Total CFR | 508.71 | 527.44 | 575.39 | 722.85 | 783.19 | 809.89 | Estimated Debt | 345.06 | 359.90 | 457.33 | 609.72 | 670.28 | 695.13 | Under / (Over) Borrowed | 163.65 | 167.54 | 118.06 | 113.13 | 112.91 | 114.76 |
| Capital Financing Requirement | 31/03/2020 | 31/03/2021 | 31/03/2022 | 31/03/2023 | 31/03/2024 | 31/03/2025 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Actual £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance Brought forward | 334.02 | 339.58 | 349.95 | 374.32 | 490.16 | 492.08 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Borrowing | 17.26 | 20.28 | 35.78 | 128.00 | 16.97 | 12.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MRP | (6.06) | (6.50) | (7.59) | (8.66) | (11.40) | (12.01) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Appropriations (to) from HRA | (2.40) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Movement in Other Liabilities | (3.24) | (3.41) | (3.82) | (3.50) | (3.65) | (4.34) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MRP Holiday | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total General Fund Debt | 339.58 | 349.95 | 374.32 | 490.16 | 492.08 | 488.48 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HRA | 169.13 | 177.49 | 201.07 | 232.69 | 291.11 | 321.41 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total CFR | 508.71 | 527.44 | 575.39 | 722.85 | 783.19 | 809.89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Debt | 345.06 | 359.90 | 457.33 | 609.72 | 670.28 | 695.13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Under / (Over) Borrowed | 163.65 | 167.54 | 118.06 | 113.13 | 112.91 | 114.76 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| * Appropriation of Land to the HRA of circa £2M at 31/03/2021 subject to confirmation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.4.5 | Table 5 – Current and Estimated Movement in Gross Debt £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th data-bbox="300 992 715 1059">Gross Debt</th> <th data-bbox="715 992 831 1059">31/03/2020</th> <th data-bbox="831 992 954 1059">31/03/2021</th> <th data-bbox="954 992 1077 1059">31/03/2022</th> <th data-bbox="1077 992 1200 1059">31/03/2023</th> <th data-bbox="1200 992 1323 1059">31/03/2024</th> <th data-bbox="1323 992 1465 1059">31/03/2025</th> </tr> <tr> <td></td> <th data-bbox="715 1059 831 1205">Actual £M</th> <th data-bbox="831 1059 954 1205">Forecast £M</th> <th data-bbox="954 1059 1077 1205">Forecast £M</th> <th data-bbox="1077 1059 1200 1205">Forecast £M</th> <th data-bbox="1200 1059 1323 1205">Forecast £M</th> <th data-bbox="1323 1059 1465 1205">Forecast £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1205 715 1249">Borrowing (Long Term GF)</td> <td data-bbox="715 1205 831 1249">109.59</td> <td data-bbox="831 1205 954 1249">107.63</td> <td data-bbox="954 1205 1077 1249">185.33</td> <td data-bbox="1077 1205 1200 1249">309.62</td> <td data-bbox="1200 1205 1323 1249">315.42</td> <td data-bbox="1323 1205 1465 1249">316.11</td> </tr> <tr> <td data-bbox="300 1249 715 1294">Borrowing (Long Term HRA)</td> <td data-bbox="715 1249 831 1294">157.28</td> <td data-bbox="831 1249 954 1294">177.47</td> <td data-bbox="954 1249 1077 1294">201.02</td> <td data-bbox="1077 1249 1200 1294">232.62</td> <td data-bbox="1200 1249 1323 1294">291.03</td> <td data-bbox="1323 1249 1465 1294">319.54</td> </tr> <tr> <td data-bbox="300 1294 715 1339">Borrowing (Short Term)</td> <td data-bbox="715 1294 831 1339">10.36</td> <td data-bbox="831 1294 954 1339">10.36</td> <td data-bbox="954 1294 1077 1339">10.36</td> <td data-bbox="1077 1294 1200 1339">10.36</td> <td data-bbox="1200 1294 1323 1339">10.36</td> <td data-bbox="1323 1294 1465 1339">10.36</td> </tr> <tr> <td data-bbox="300 1339 715 1384">Total Borrowing</td> <td data-bbox="715 1339 831 1384">277.23</td> <td data-bbox="831 1339 954 1384">295.46</td> <td data-bbox="954 1339 1077 1384">396.71</td> <td data-bbox="1077 1339 1200 1384">552.60</td> <td data-bbox="1200 1339 1323 1384">616.81</td> <td data-bbox="1323 1339 1465 1384">646.01</td> </tr> <tr> <td data-bbox="300 1384 715 1473">Finance leases and Private Finance Initiatives</td> <td data-bbox="715 1384 831 1473">54.00</td> <td data-bbox="831 1384 954 1473">50.97</td> <td data-bbox="954 1384 1077 1473">47.52</td> <td data-bbox="1077 1384 1200 1473">44.38</td> <td data-bbox="1200 1384 1323 1473">41.09</td> <td data-bbox="1323 1384 1465 1473">37.11</td> </tr> <tr> <td data-bbox="300 1473 715 1518">Transferred Debt</td> <td data-bbox="715 1473 831 1518">13.83</td> <td data-bbox="831 1473 954 1518">13.47</td> <td data-bbox="954 1473 1077 1518">13.10</td> <td data-bbox="1077 1473 1200 1518">12.74</td> <td data-bbox="1200 1473 1323 1518">12.38</td> <td data-bbox="1323 1473 1465 1518">12.01</td> </tr> <tr> <td data-bbox="300 1518 715 1563">Total Other Debt</td> <td data-bbox="715 1518 831 1563">67.83</td> <td data-bbox="831 1518 954 1563">64.44</td> <td data-bbox="954 1518 1077 1563">60.62</td> <td data-bbox="1077 1518 1200 1563">57.12</td> <td data-bbox="1200 1518 1323 1563">53.47</td> <td data-bbox="1323 1518 1465 1563">49.12</td> </tr> <tr> <td data-bbox="300 1563 715 1608">Total Debt</td> <td data-bbox="715 1563 831 1608">345.06</td> <td data-bbox="831 1563 954 1608">359.90</td> <td data-bbox="954 1563 1077 1608">457.33</td> <td data-bbox="1077 1563 1200 1608">609.72</td> <td data-bbox="1200 1563 1323 1608">670.28</td> <td data-bbox="1323 1563 1465 1608">695.13</td> </tr> </tbody> </table> | Gross Debt | 31/03/2020 | 31/03/2021 | 31/03/2022 | 31/03/2023 | 31/03/2024 | 31/03/2025 | | Actual £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Borrowing (Long Term GF) | 109.59 | 107.63 | 185.33 | 309.62 | 315.42 | 316.11 | Borrowing (Long Term HRA) | 157.28 | 177.47 | 201.02 | 232.62 | 291.03 | 319.54 | Borrowing (Short Term) | 10.36 | 10.36 | 10.36 | 10.36 | 10.36 | 10.36 | Total Borrowing | 277.23 | 295.46 | 396.71 | 552.60 | 616.81 | 646.01 | Finance leases and Private Finance Initiatives | 54.00 | 50.97 | 47.52 | 44.38 | 41.09 | 37.11 | Transferred Debt | 13.83 | 13.47 | 13.10 | 12.74 | 12.38 | 12.01 | Total Other Debt | 67.83 | 64.44 | 60.62 | 57.12 | 53.47 | 49.12 | Total Debt | 345.06 | 359.90 | 457.33 | 609.72 | 670.28 | 695.13 | | | | | | | | | | | | | | | | | | | | | |
| Gross Debt | 31/03/2020 | 31/03/2021 | 31/03/2022 | 31/03/2023 | 31/03/2024 | 31/03/2025 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Actual £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | Forecast £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing (Long Term GF) | 109.59 | 107.63 | 185.33 | 309.62 | 315.42 | 316.11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing (Long Term HRA) | 157.28 | 177.47 | 201.02 | 232.62 | 291.03 | 319.54 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borrowing (Short Term) | 10.36 | 10.36 | 10.36 | 10.36 | 10.36 | 10.36 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Borrowing | 277.23 | 295.46 | 396.71 | 552.60 | 616.81 | 646.01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance leases and Private Finance Initiatives | 54.00 | 50.97 | 47.52 | 44.38 | 41.09 | 37.11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Transferred Debt | 13.83 | 13.47 | 13.10 | 12.74 | 12.38 | 12.01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Other Debt | 67.83 | 64.44 | 60.62 | 57.12 | 53.47 | 49.12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Debt | 345.06 | 359.90 | 457.33 | 609.72 | 670.28 | 695.13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.4.6 | <p>There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital as the Council's strategy has been to only borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.4.7 | <p>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</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | to be more cost effective in the short term to either use internal resources, or to borrow short-term loans instead. |
| 2.4.8 | By doing so, the Council is able to 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 | 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 |
| 2.5 | Asset Management |
| 2.5.1 | <p>To ensure that capital assets continue to be of long-term use, the Authority has engaged a specialist to assist with the production of a comprehensive corporate asset management strategy. It is envisaged that the strategy will allow the City Council to plan effectively for its property needs now and in the future, focusing on:</p> <ul style="list-style-type: none"> • what property assets the City Council owns and uses; • how property is used by the City Council; • how the City Council's property needs might change and evolve over time; • ensuring where possible that the City Council always has the right property fit for purpose. <p>This work is ongoing and the Authority's asset management strategy should be available in 2021/22.</p> |
| 2.5.2 | <p>When determining the capital programme and allocating resources the Council will also have regard to:</p> <ul style="list-style-type: none"> • The preparation of the statutory Local Transport Plan, and Transport Asset Management Plan (TAMP); • The preparation of the Asset Management Plan for Schools and Council Buildings to ensure health and safety issues have been dealt with appropriately; and • The council's obligation to finance adaptations to the homes of disabled residents. Funding is passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the council, as part of the S75 pooling arrangement outlined in the Medium Term Financial Forecast (Annex 1.1). |
| 2.6 | Asset Disposals |
| 2.6.1 | When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts on service transformation projects until 2021/22 (see paragraph 2.6.3). Repayments of capital grants, loans and investments also generate capital receipts. There are no planned significant asset disposals. |

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| 2.6.2 | <p>The current strategy for the use of capital receipts is to:</p> <ul style="list-style-type: none"> • Provide for an MRP holiday to the value of external loan payments generating a revenue budget saving; • Consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites; • Consider flexible use to meet the costs of reform projects as detailed below; and • Assume receipts from sale of assets not currently on the market will not be taken into consideration when assessing the total value of receipts available to fund the capital programme. |
| 2.6.3 | <p><u>Flexible use of Capital Receipts</u></p> <p>The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a 'reform' project was issued as part of the Final Local Government Settlement on 11th March 2016. The key points included:</p> <ul style="list-style-type: none"> • The direction only relates to new receipts received in the period 1st April 2016 to 31st March 2019 that could be applied to meet the revenue costs of reform incurred in the same timeframe (this has now been extended to March 2022) ; • 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>In November 2020 the council agreed a major investment in an IT strategy that will contribute to transforming services and generating savings. To help deliver this IT programme the council intends keep under review the opportunity provided by the government to flexibly use capital receipts to invest in and fund this transformation of services.</p> |

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| 2.6.4 | <p><u>HRA Right to Buy Receipts</u></p> <p>In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to MHCLG.</p> |
| | |
| | <u>SECTION 3 - TREASURY MANAGEMENT</u> |
| 3.1 | Background |
| 3.1.1 | <p>Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.</p> |
| 3.2 | Borrowing strategy |
| 3.2.1 | <p>The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.0 to 2.0%).</p> <p>Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).</p> <p>Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.</p> |
| 3.3 | Liability benchmark |
| 3.3.1 | <p>To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10M at each year-end. This benchmark is currently £277.7M and is forecast to rise to £587.8M over the next three years.</p> |

| <i>Table 6: Liability Benchmark in £M</i> | | | | | | | |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | 31-Mar-20 | 31-Mar-21 | 31-Mar-21 | 31-Mar-22 | 31-Mar-23 | 31-Mar-24 | 31-Mar-25 |
| | Actual | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | | | Movement | | | | |
| | £M | £M | in year | £M | £M | £M | £M |
| | £M | £M | £M | £M | £M | £M | £M |
| Loans CFR | 440.88 | 463.00 | 22.12 | 514.76 | 665.74 | 729.74 | 760.78 |
| Less Usable Reserves | (174.55) | (178.40) | (3.85) | (128.87) | (123.89) | (123.89) | (72.97) |
| Less Working Capital Surplus | (58.01) | (58.01) | 0.00 | (58.01) | (58.01) | (58.01) | (58.01) |
| Plus Minimum Investments | 69.34 | 40.00 | (29.34) | 40.00 | 40.00 | 40.00 | 40.00 |
| Liability Benchmark | 277.66 | 266.59 | (11.07) | 367.88 | 523.84 | 587.84 | 669.80 |
| Less Committed External Borrowing | (276.87) | (231.59) | 45.28 | (222.84) | (216.84) | (210.84) | (204.84) |
| Minimum Borrowing Need | 0.79 | 34.99 | 34.20 | 145.04 | 307.00 | 376.99 | 464.95 |
| 3.4 | Affordable Borrowing Limit | | | | | | |
| 3.4.1 | <p>The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.</p> <p>The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.</p> | | | | | | |
| 3.4.2 | <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 on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases.</p> <p>The Authorised Limit, shown in table 7, has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom to allow for unusual cash movements, for example a complete debt restructure requiring monies to be borrowed in advance of repayment of existing debt.</p> | | | | | | |
| 3.4.3 | <i>Table 7 – Authorised Limit for External Debt £M</i> | | | | | | |
| | Authorised Limit for External Debt | 2021/22 | 2022/23 | 2023/24 | 2024/25 | | |
| | Borrowing | 735 | 910 | 945 | 1140 | | |
| | Other Long-term Liabilities | 70 | 65 | 65 | 60 | | |
| | Total | 805 | 975 | 1010 | 1200 | | |

| 3.4.4 | The Operational Boundary is linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit which allows for a full debt restructure if a favourable opportunity arose. | | | | | | | | | | | | | | | | | | | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|------------|---------|---------|-----------|-----|-----|-----|-----|-----------------------------|----|----|----|----|--------------|------------|------------|------------|------------|
| 3.4.5 | <p><i>Table 8 – Operational Boundary for External Debt £M</i></p> <table border="1" data-bbox="304 517 1402 748"> <thead> <tr> <th data-bbox="304 517 719 600">Operational Boundary for External Debt</th> <th data-bbox="719 517 890 600">2021/22</th> <th data-bbox="890 517 1061 600">2022/23</th> <th data-bbox="1061 517 1232 600">2023/24</th> <th data-bbox="1232 517 1402 600">2024/25</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 600 719 651">Borrowing</td> <td data-bbox="719 600 890 651">640</td> <td data-bbox="890 600 1061 651">785</td> <td data-bbox="1061 600 1232 651">805</td> <td data-bbox="1232 600 1402 651">850</td> </tr> <tr> <td data-bbox="304 651 719 703">Other Long-term Liabilities</td> <td data-bbox="719 651 890 703">65</td> <td data-bbox="890 651 1061 703">65</td> <td data-bbox="1061 651 1232 703">60</td> <td data-bbox="1232 651 1402 703">55</td> </tr> <tr> <td data-bbox="304 703 719 748">Total</td> <td data-bbox="719 703 890 748">705</td> <td data-bbox="890 703 1061 748">850</td> <td data-bbox="1061 703 1232 748">865</td> <td data-bbox="1232 703 1402 748">905</td> </tr> </tbody> </table> | Operational Boundary for External Debt | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Borrowing | 640 | 785 | 805 | 850 | Other Long-term Liabilities | 65 | 65 | 60 | 55 | Total | 705 | 850 | 865 | 905 |
| Operational Boundary for External Debt | 2021/22 | 2022/23 | 2023/24 | 2024/25 | | | | | | | | | | | | | | | | | |
| Borrowing | 640 | 785 | 805 | 850 | | | | | | | | | | | | | | | | | |
| Other Long-term Liabilities | 65 | 65 | 60 | 55 | | | | | | | | | | | | | | | | | |
| Total | 705 | 850 | 865 | 905 | | | | | | | | | | | | | | | | | |
| 3.4.6 | The Executive Director for Finance, Commercialisation & 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. | | | | | | | | | | | | | | | | | | | | |
| 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 generally considered to be part of treasury management. | | | | | | | | | | | | | | | | | | | | |
| 3.5.2 | <p>The Authority's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.</p> <p>Further details on treasury investments can be found in the treasury management strategy.</p> <p>https://www.southampton.gov.uk/modernGov/documents/s49909/Enc.%201%20TREASURY%20MANAGEMENT%20STRATEGY%20202122.pdf</p> | | | | | | | | | | | | | | | | | | | | |
| 3.6 | Risk Management | | | | | | | | | | | | | | | | | | | | |
| 3.6.1 | The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. | | | | | | | | | | | | | | | | | | | | |

| | |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.7 | Governance |
| 3.7.1 | Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director for Finance, Commercialisation & S151 Officer and staff, who must act in line with the treasury management strategy to be approved by Governance committee on 15 th February 2021. Quarterly reports on treasury management activity are presented to cabinet. The Governance committee is responsible for scrutinising treasury management decisions. |
| | |
| | SECTION 4 - INVESTMENTS FOR SERVICE PURPOSES |
| 4.1 | Background |
| 4.1.1 | <p>The Authority makes investments to assist local public services, including making loans to and buying shares in local service providers to promote economic growth. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to break-even after all costs.</p> <p>Currently the Council does not have any investments for service purposes, the criteria for potential investments in the future is set out in the investment strategy (annex 2.3(b)).</p> |
| 4.2 | Governance |
| 4.2.1 | Decisions on service investments are made by the relevant service manager in consultation with the Executive Director for Finance, Commercialisation & S151 Officer and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. Further details on service investments are given in of the investment strategy. |
| | |
| | <u>SECTION 5 - COMMERCIAL ACTIVITIES</u> |
| 5.1 | Background |
| 5.1.1 | <p>With central government financial support for local public services declining, the Authority invests in commercial property for financial gain. Total commercial investments are currently valued at £24.3M, consisting of 3 properties providing a net return after all costs of 1.97%.</p> <p>With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include reduced income due to rent voids or rent reductions and fall in capital value due to market conditions/demands. These risks are managed by performing credit checks on potential tenants, having a reserve set aside for voids and maintenance costs and regular monitoring to identify potential risks as early as possible.</p> <p>The government has changed the terms of borrowing from the Public Works Loans Board to prohibit borrowing for investment purposes. With this and considering the</p> |

| | |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | current economic climate the £200M Property Investment Fund has been removed from the capital programme. |
| 5.2 | Governance |
| 5.2.1 | Decisions on commercial investments are made by the Head of Property and Executive Director for Finance, Commercialisation & S151 Officer, in consultation with the Cabinet Member for Finance & Income Generation and the Leader of the Council in line with the criteria and limits in the Property Investment Strategy approved by Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme. However, see comment above with respect to the government changing the terms of borrowing from the Public Works Loan Board. Further details on commercial investments and limits on their use are detailed in the investment strategy (annex 2.3(b)). |
| | |
| | <u>SECTION 6 – LIABILITIES</u> |
| 6.1 | Background |
| 6.1.1 | In addition to debt detailed above, the Authority has set aside an earmarked Insurance reserve of £0.35M to cover risks of a potential liability, of £1.39M as at 31 st March 2020, under a Scheme of Arrangement with Municipal Mutual Insurance. |
| 6.2 | Governance |
| 6.2.1 | Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Executive Director for Finance, Commercialisation & 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 pages 103 and 104 of the 2019/20 statement of accounts. |
| | |
| | <u>SECTION 7- REVENUE BUDGET IMPLICATIONS</u> |
| 7.1 | Background |
| 7.1.1 | Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP and loans fund repayment are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. |
| 7.2 | Ratio of financing costs to net revenue stream |
| 7.2.1 | This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The upper limit for this ratio is currently set at 10% and will increase to 15% to allow for known borrowing decisions in the next five years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the proposed capital programme |

| 7.2.2 | <p><i>Table 10: Prudential Indicator: Ratio of financing costs to net revenue stream %</i></p> <table border="1"> <thead> <tr> <th>Ratio of Financing Costs to Net Revenue Stream</th> <th>2019/20 Actual</th> <th>2020/21 Forecast</th> <th>2021/22 Forecast</th> <th>2022/23 Forecast</th> <th>2023/24 Forecast</th> <th>2024/25 Forecast</th> </tr> <tr> <td></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td>7.97</td> <td>8.45</td> <td>10.76</td> <td>9.98</td> <td>11.39</td> <td>11.89</td> </tr> <tr> <td>HRA</td> <td>7.20</td> <td>6.48</td> <td>11.59</td> <td>10.67</td> <td>11.78</td> <td>10.04</td> </tr> <tr> <td>Total</td> <td>8.79</td> <td>9.01</td> <td>12.36</td> <td>11.21</td> <td>12.56</td> <td>12.65</td> </tr> </tbody> </table> | Ratio of Financing Costs to Net Revenue Stream | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | | % | % | % | % | % | % | General Fund | 7.97 | 8.45 | 10.76 | 9.98 | 11.39 | 11.89 | HRA | 7.20 | 6.48 | 11.59 | 10.67 | 11.78 | 10.04 | Total | 8.79 | 9.01 | 12.36 | 11.21 | 12.56 | 12.65 |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|---|---|---|---|---|---|--------------|------|------|-------|------|-------|-------|-----|------|------|-------|-------|-------|-------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Ratio of Financing Costs to Net Revenue Stream | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | % | % | % | % | % | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Fund | 7.97 | 8.45 | 10.76 | 9.98 | 11.39 | 11.89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HRA | 7.20 | 6.48 | 11.59 | 10.67 | 11.78 | 10.04 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 8.79 | 9.01 | 12.36 | 11.21 | 12.56 | 12.65 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7.2.3 | <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. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years, which it has 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 up to 40 years into the future. The Executive Director for Finance, Commercialisation & S151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p><u>SECTION 8 - CAPACITY AND SKILLS</u></p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1 | <p>Background</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 for Finance, Commercialisation & S151 Officer is a qualified accountant with extensive years' experience within local government at a senior level. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA, ACCA, AAT, ACT (treasury), ATT (tax). Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| <u>2021/22 MINIMUM REVENUE PROVISION (MRP) STATEMENT</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008, the council is required to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.</p> |
| <p>The broad aim of the CLG guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.</p> |
| <p>The CLG Guidance requires the Council to approve an Annual MRP Statement each year. For borrowing prior to the prudential regime we use the regulatory method (over a 50 year life) and for prudential borrowing the asset life method, this now also includes MRP for investment property, as the depreciation method which was previously used, is no longer available for Investment property following the revised guidance.</p> |
| <p>Further statutory guidance on MRP was issued by Government on 2 February 2018, which largely becomes effective from 1 April 2019. The exception related to the section allowing local authorities to change their approach to calculating MRP at any time, which took effect immediately. A variety of options are provided to councils under the regulations and guidance, so long as there is a prudent provision.</p> |
| <p>A key part of the updated guidance clarified that the duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.</p> |
| <p>We will continue to review MRP and it is proposed that delegated powers should be given to the CFO to change the proposed methods to aid good financial management whilst maintaining a prudent approach. Any changes to the original MRP Statement during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.</p> |
| <p>Where loans are made to other bodies for their capital expenditure and are to be repaid in annual instalments, no MRP will be charged. However, the capital receipts generated by the annual repayment on those loans will be put aside to repay debt instead. MRP will be charged where there is no repayment.</p> |
| <p>There is no requirement for the HRA to make debt repayments but it has previously opted to make voluntary repayments and provision has been made within its business plan to show that it can pay down debt over the life of the 40 year business plan.</p> |
| <p>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 liability.</p> |
| <p>Capital expenditure incurred during 2021/22 and funded from borrowing will not be subject to a MRP charge until 2022/23.</p> |

Based on the Council's latest estimate of its Capital Financing Requirement on 31 March 2021 the budget for MRP has been set on the assumption that we will be using the regulatory method for borrowing prior to the prudential regime (over the remainder of a 50 year life) and using the asset life method for prudential borrowing where it applies.

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

Table 1 - Current and Estimated MRP and CFR for 2021/22

| | 31/03/2020 Actual CFR | 2020/21 MRP Liability | 31/03/2021 Estimated CFR | 2021/22 Estimated MRP |
|----------------------------------------------------------|--------------------------|-----------------------------|--------------------------------|-----------------------------|
| | £M | £M | £M | £M |
| Capital expenditure before 01.04.2008 | 90.53 | 1.76 | 88.76 | 1.75 |
| Unsupported capital expenditure after 31.03.2008 | 181.22 | 4.74 | 196.76 | 5.84 |
| Transferred debt | 13.83 | 0.37 | 13.46 | 0.37 |
| Finance leases and Private Finance Initiative | 54.00 | 3.04 | 50.97 | 3.45 |
| Total General Fund CFR and MRP Liability | 339.58 | 9.91 | 349.95 | 11.41 |
| Transfers | | | 0.00 | 0.00 |
| Net General Fund CFR and MRP Liability (Table 11) | 339.58 | 9.91 | 349.95 | 11.41 |
| Assets in the Housing Revenue Account | 78.61 | Nil | 88.72 | Nil |
| HRA subsidy reform payment | 90.52 | 0.00 | 88.77 | Nil |
| Transfers | | | 0.00 | Nil |
| Total Housing Revenue Account (Table 17) | 169.13 | 0.00 | 177.49 | 0.00 |
| Total | 508.71 | 9.91 | 527.44 | 11.41 |

Due to changes in the accounting requirements for 'right to use' leases, which comes into effect on 1 April 2022, the Authority is currently assessing what impact this will have on its CFR and MRP liability.

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

Southampton City Council

INVESTMENT STRATEGY

2021/22 – 2024/25

Contents

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| | |
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| | <u>SECTION 1 – INTRODUCTION</u> |
| 1.1 | Background |
| 1.1.1 | <p>The Authority invests its money for three broad purposes:</p> <ul style="list-style-type: none"> • because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), • to support local public services by lending to or buying shares in other organisations (service investments), and • to earn investment income (known as commercial investments where this is the main purpose). <p>This investment strategy meets the requirements of statutory investment guidance issued by the government in January 2018, and focuses on the second and third of these categories.</p> |
| | |
| | <u>SECTION 2 - TREASURY MANAGEMENT INVESTMENTS</u> |
| 2.1 | Background |
| 2.1.1 | <p>The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure [and collects local taxes on behalf of other local authorities and central government]. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be £40M at the end of 2021/22 financial year.</p> |
| 2.1.2 | <p>The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.</p> |
| 2.1.3 | <p>Full details of the Authority’s policies and its plan for 2021/22 for treasury management investments are covered in a separate document, the treasury management strategy.</p> |
| | |
| | <u>SECTION 3 - SERVICE INVESTMENTS: LOANS</u> |
| 3.1 | Background |
| 3.1.1 | <p>The Council is able to lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.</p> |
| 3.2 | Loan Limits |
| 3.2.1 | <p>The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as in Table 1.</p> |

| 3.2.2 | <p>Table 1 – Loans for service purposes £M</p> <table border="1"> <thead> <tr> <th data-bbox="308 241 703 353">Category of Borrower</th> <th data-bbox="711 241 911 353">31.03.2020 Net showing in accounts</th> <th data-bbox="919 241 1114 353">2021/22 Approved Limit</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 365 703 409">Subsidiaries</td> <td data-bbox="711 365 911 409">-</td> <td data-bbox="919 365 1114 409">2.00</td> </tr> <tr> <td data-bbox="308 421 703 465">Suppliers</td> <td data-bbox="711 421 911 465">-</td> <td data-bbox="919 421 1114 465">2.00</td> </tr> <tr> <td data-bbox="308 477 703 555">Other Public Sector Bodies</td> <td data-bbox="711 477 911 555">-</td> <td data-bbox="919 477 1114 555">20.00</td> </tr> <tr> <td data-bbox="308 566 703 611">Charities</td> <td data-bbox="711 566 911 611">-</td> <td data-bbox="919 566 1114 611">0.50</td> </tr> </tbody> </table> | Category of Borrower | 31.03.2020 Net showing in accounts | 2021/22 Approved Limit | Subsidiaries | - | 2.00 | Suppliers | - | 2.00 | Other Public Sector Bodies | - | 20.00 | Charities | - | 0.50 |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------|------------------------------|--------------|---|------|-----------|---|------|-------------------------------|---|-------|-----------|---|------|
| Category of Borrower | 31.03.2020 Net showing in accounts | 2021/22 Approved Limit | | | | | | | | | | | | | | |
| Subsidiaries | - | 2.00 | | | | | | | | | | | | | | |
| Suppliers | - | 2.00 | | | | | | | | | | | | | | |
| Other Public Sector Bodies | - | 20.00 | | | | | | | | | | | | | | |
| Charities | - | 0.50 | | | | | | | | | | | | | | |
| 3.2.3 | Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. | | | | | | | | | | | | | | | |
| 3.3 | Potential Loan Criteria | | | | | | | | | | | | | | | |
| 3.3.1 | <p>The Council does not currently have any material loans but loans to subsidiaries may be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans will be considered when all of the following criteria are satisfied:</p> <ul style="list-style-type: none"> • The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure; • The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities; • Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term; • A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss. | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | <u>SECTION 4 - SERVICE INVESTMENTS: SHARES</u> | | | | | | | | | | | | | | | |
| 4.1 | Background | | | | | | | | | | | | | | | |
| 4.1.1 | The Council is able to invest in the shares of its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. | | | | | | | | | | | | | | | |
| 4.1.2 | One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council does not currently have any material investment in shares nor is there any intention to do so at present. If this | | | | | | | | | | | | | | | |

| | changed the Council would undertake a risk assessment before entering purchase and would establish appropriate Prudential Indicators. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|-------------------|---------------------------|----------------|-----------------------------|----------------|-----------------------------|---------------|-------------------|---------------------------|-------------------|---------------------------|------------|------|------|--------|------|--------|--------|------|------------|-------|-------|--------|-------|--------|--------|-------|------------|------|------|--------|------|------|------|------|--|--------------|--------------|---------------|--------------|---------------|---------------|--------------|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>SECTION 5 - COMMERCIAL INVESTMENTS: PROPERTY</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.1 | Background | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.1.1 | <p>The Council is able to invest in local, regional and UK commercial and residential property with the intention of making a profit that will be spent on local public services. Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF). To date the authority has purchased 3 properties, details are shown in table 2 below.</p> <p>These properties are expected to generate £1.8M income in 2020/21 a return of 1.97% against the amount invested.</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 colspan="2">31.03.2020 Actual</th> <th colspan="3">31.03.2021 Expected</th> <th rowspan="2">Change In Year</th> <th rowspan="2">Outstanding Debt 31.03.2021</th> </tr> <tr> <th>Purchase Cost</th> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> </tr> </thead> <tbody> <tr> <td>Property 1</td> <td>6.47</td> <td>6.30</td> <td>(0.17)</td> <td>5.21</td> <td>(1.26)</td> <td>(1.09)</td> <td>5.92</td> </tr> <tr> <td>Property 2</td> <td>14.69</td> <td>10.80</td> <td>(3.89)</td> <td>10.33</td> <td>(4.36)</td> <td>(0.47)</td> <td>13.45</td> </tr> <tr> <td>Property 3</td> <td>8.53</td> <td>8.39</td> <td>(0.14)</td> <td>8.73</td> <td>0.20</td> <td>0.34</td> <td>7.80</td> </tr> <tr> <td></td> <td>29.69</td> <td>25.49</td> <td>(4.20)</td> <td>24.27</td> <td>(5.42)</td> <td>(1.22)</td> <td>27.17</td> </tr> </tbody> </table> | Property | 31.03.2020 Actual | | 31.03.2021 Expected | | | Change In Year | Outstanding Debt 31.03.2021 | Purchase Cost | Value in Accounts | Cumulative Gain or (Loss) | Value in Accounts | Cumulative Gain or (Loss) | Property 1 | 6.47 | 6.30 | (0.17) | 5.21 | (1.26) | (1.09) | 5.92 | Property 2 | 14.69 | 10.80 | (3.89) | 10.33 | (4.36) | (0.47) | 13.45 | Property 3 | 8.53 | 8.39 | (0.14) | 8.73 | 0.20 | 0.34 | 7.80 | | 29.69 | 25.49 | (4.20) | 24.27 | (5.42) | (1.22) | 27.17 |
| Property | 31.03.2020 Actual | | 31.03.2021 Expected | | | Change In Year | Outstanding Debt 31.03.2021 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Purchase Cost | Value in Accounts | Cumulative Gain or (Loss) | Value in Accounts | Cumulative Gain or (Loss) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property 1 | 6.47 | 6.30 | (0.17) | 5.21 | (1.26) | (1.09) | 5.92 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property 2 | 14.69 | 10.80 | (3.89) | 10.33 | (4.36) | (0.47) | 13.45 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property 3 | 8.53 | 8.39 | (0.14) | 8.73 | 0.20 | 0.34 | 7.80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 29.69 | 25.49 | (4.20) | 24.27 | (5.42) | (1.22) | 27.17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.1.3 | <p>In addition to the properties purchased under PIF, the council holds an extensive historic property portfolio.</p> <p>Information relating to purchase price and any associated debt is not held, as this is not required by local authority legislation. The fair value of these properties at the 31 March 2020 was £92.66M a decrease of £15.5M from the year before. The year-end valuation of investment property was not significantly impacted by COVID-19, however there was a £15M year-on-year reduction in investment property valuations due to the Valuer making a slightly more prudent assessment of investment properties as at 31 March 2020. However, it is anticipated that there will be a significant COVID-19 impact on the 31 March 2021 values which is yet to be quantified.</p> <p>The Valuation and Estates section are responsible for the ongoing management and monitoring of the portfolio (including PIF) and for 2019/20 net income for the total portfolio was £8.4M compared to £8.03M in 2018/19.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.1.4 | In November 2019 Council approved the addition of £200M to the capital programme to explore the opportunities available for further property investment, with expected purchases to start from 2020/21. However, following changes to the rules for lending from the Public Works Board to finance such projects this has been removed from the capital programmed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.2 | Security |
| 5.2.1 | In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset. As can be seen from the table above the fair value assessment of these properties at the 31 March 2021 is expected to be 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 now being made on the annuity basis and debt will reduce by approximately £0.25M per annum. |
| 5.2.2 | Table 2 also shows that the values of Properties 1 and 2 are expected to drop further in 2020/21 due to the further recent downturn in the retail sector largely due to COVID-19. This means that the fair value will likely fall below the outstanding debt by £3.83M. As this is outside of the current policy, consideration will need to be given to the future of these assets, bearing in mind that a disposal would be likely to incur a large financial loss to the Council. However, whilst the properties are still providing a positive income yield, it makes no financial sense to dispose of the properties in the current economic climate, the Council will continue to closely monitor the situation and report any further concerns through the relevant committees. |
| 5.3 | Risk Assessment |
| 5.3.1 | The council assesses the risk of loss before purchasing investment property and monitors both the fair value and the return on the assets to assess the benefits of either retaining or disposing of the assets. |
| 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 is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. Therefore, in order to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals. Since purchasing the PIF properties actual income has and continues to be in line with the budgeted figure and there are no current indicators to suggest that the forecast future income will not be achieved. If there is any change this would be reported as part of the revenue financial monitoring process. |
| | |
| | <u>SECTION 6 - CAPACITY AND SKILLS</u> |
| 6.1 | Elected members and statutory officers |
| 6.1.1 | CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with TM responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. |

| | <p>Treasury training is offered to all members annually, which is undertaken by our advisors, Arlingclose, this was last undertaken on 11th January 2021.</p> <p>Further training is also provided if the need arises, for example there was a change in leadership and the makeup of Governance committee changed during 2018, so as part of Members induction Arlingclose provided an introduction to treasury training session. We would also arrange additional training if there was to be a material change in the Treasury Strategy, explaining the reasoning behind it, so that Members understand what they are being asked to approve.</p> <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 process.</p> | | | | | | | | | | | | | | | | | | | | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------------|-------------|-------------|-------------|-----------------------------------|------------|------------|------------|------------------------------------|-------------|-------------|-------------|-----------------------|-------------|-------------|-------------|
| 6.2 | Commercial deals | | | | | | | | | | | | | | | | | | | | |
| 6.2.1 | <p>The Property Investment Fund, originally agreed at full Council in November 2019, has been withdrawn from the capital programme following rule changes from Government that prevent any further investment primarily for yield.</p> <p>Capital spending plans will need to be submitted in advance to Government, and the S151 officer provide assurance that the council will not be undertaking investment of assets primarily for yield gain. Existing investments held by the authority will continue to be carefully monitored and reported on.</p> <p>The Council has an experienced in-house estates and valuation team, who will manage the process and the day-to-day management of any investments. The use of external experts will be employed where specialist knowledge is required in the acquisition, disposal or performance management of commercial property.</p> | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | <u>SECTION 7 - INVESTMENT INDICATORS</u> | | | | | | | | | | | | | | | | | | | | |
| 7.1 | Background | | | | | | | | | | | | | | | | | | | | |
| 7.1.1 | The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions. | | | | | | | | | | | | | | | | | | | | |
| 7.2 | Total Risk Exposure | | | | | | | | | | | | | | | | | | | | |
| 7.2.1 | This indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans. | | | | | | | | | | | | | | | | | | | | |
| 7.2.2 | <p><i>Table 3: Total investment exposure £M</i></p> <table border="1"> <thead> <tr> <th>Total Investment Exposure</th> <th>31.03.2020 Actual</th> <th>31.03.2021 Forecast</th> <th>31.03.2022 Forecast</th> </tr> </thead> <tbody> <tr> <td>Treasury management investments</td> <td>61.2</td> <td>40.0</td> <td>40.0</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>27.4</td> <td>27.2</td> <td>26.9</td> </tr> <tr> <td>TOTAL EXPOSURE</td> <td>88.6</td> <td>67.2</td> <td>66.9</td> </tr> </tbody> </table> | Total Investment Exposure | 31.03.2020 Actual | 31.03.2021 Forecast | 31.03.2022 Forecast | Treasury management investments | 61.2 | 40.0 | 40.0 | Service investments: Loans | 0.0 | 0.0 | 0.0 | Commercial Investments: PIF | 27.4 | 27.2 | 26.9 | TOTAL EXPOSURE | 88.6 | 67.2 | 66.9 |
| Total Investment Exposure | 31.03.2020 Actual | 31.03.2021 Forecast | 31.03.2022 Forecast | | | | | | | | | | | | | | | | | | |
| Treasury management investments | 61.2 | 40.0 | 40.0 | | | | | | | | | | | | | | | | | | |
| Service investments: Loans | 0.0 | 0.0 | 0.0 | | | | | | | | | | | | | | | | | | |
| Commercial Investments: PIF | 27.4 | 27.2 | 26.9 | | | | | | | | | | | | | | | | | | |
| TOTAL EXPOSURE | 88.6 | 67.2 | 66.9 | | | | | | | | | | | | | | | | | | |

| 7.3 | How Investments are Funded | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------|-------------------|-------------|-------------|-------------|-------------------|-------------|-----------------------------------------|-------------|-------------------|-------------|-------------|-------------|-------------------------------------|-----------------------------------|-------------|-------------|--|------------|--|------------|
| 7.3.1 | Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure. | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7.3.2 | <p><i>Table 4: Investments funded by borrowing and loan to value ratio</i></p> <table border="1"> <thead> <tr> <th><i>Investment funded by borrowing</i></th> <th><i>2019/20 Forecast</i></th> <th><i>2019/20 Actual</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2020/21 Forecast</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2021/22 Forecast</i></th> </tr> <tr> <td></td> <td><i>£M</i></td> <td><i>£M</i></td> <td><i>%</i></td> <td><i>£M</i></td> <td><i>%</i></td> <td><i>£M</i></td> </tr> </thead> <tbody> <tr> <td>Commercial Investments: Property</td> <td>27.4</td> <td>27.4</td> <td>108</td> <td>27.2</td> <td>112</td> <td>26.9</td> </tr> <tr> <td>Service investments: Loans</td> <td>0.0</td> <td>0.0</td> <td></td> <td>0.0</td> <td></td> <td>0.0</td> </tr> </tbody> </table> <p>The maximum loan to value indicator is set at 100% if the fair value of the asset was to fall below the outstanding loan value then this would be reported to Council and the authority would look to take steps to assess the viability of holding the investment.</p> | <i>Investment funded by borrowing</i> | <i>2019/20 Forecast</i> | <i>2019/20 Actual</i> | <i>Loan to Value Ratio</i> | <i>2020/21 Forecast</i> | <i>Loan to Value Ratio</i> | <i>2021/22 Forecast</i> | | <i>£M</i> | <i>£M</i> | <i>%</i> | <i>£M</i> | <i>%</i> | <i>£M</i> | Commercial Investments: Property | 27.4 | 27.4 | 108 | 27.2 | 112 | 26.9 | Service investments: Loans | 0.0 | 0.0 | | 0.0 | | 0.0 |
| <i>Investment funded by borrowing</i> | <i>2019/20 Forecast</i> | <i>2019/20 Actual</i> | <i>Loan to Value Ratio</i> | <i>2020/21 Forecast</i> | <i>Loan to Value Ratio</i> | <i>2021/22 Forecast</i> | | | | | | | | | | | | | | | | | | | | | | | |
| | <i>£M</i> | <i>£M</i> | <i>%</i> | <i>£M</i> | <i>%</i> | <i>£M</i> | | | | | | | | | | | | | | | | | | | | | | | |
| Commercial Investments: Property | 27.4 | 27.4 | 108 | 27.2 | 112 | 26.9 | | | | | | | | | | | | | | | | | | | | | | | |
| Service investments: Loans | 0.0 | 0.0 | | 0.0 | | 0.0 | | | | | | | | | | | | | | | | | | | | | | | |
| 7.4 | Rate of return received | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7.4.1 | This indicator shows the investment income received less the associated costs, including the cost of borrowing, as a proportion of the debt outstanding. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred. | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7.4.2 | <p><i>Table 5: Investment rate of return (net of all costs)</i></p> <table border="1"> <thead> <tr> <th><i>Investment net rate of return</i></th> <th><i>2019/20 Actual</i></th> <th><i>2020/21 Forecast</i></th> <th><i>2021/22 Forecast</i></th> </tr> <tr> <td></td> <td><i>%</i></td> <td><i>%</i></td> <td><i>%</i></td> </tr> </thead> <tbody> <tr> <td><i>Property 1</i></td> <td>2.27</td> <td>2.29</td> <td>2.04</td> </tr> <tr> <td><i>Property 2</i></td> <td>2.16</td> <td>2.18</td> <td>1.98</td> </tr> <tr> <td><i>Property 3</i></td> <td>1.37</td> <td>1.38</td> <td>1.30</td> </tr> <tr> <td>Total Average Rate of Return</td> <td>1.95</td> <td>1.97</td> <td>1.80</td> </tr> </tbody> </table> | <i>Investment net rate of return</i> | <i>2019/20 Actual</i> | <i>2020/21 Forecast</i> | <i>2021/22 Forecast</i> | | <i>%</i> | <i>%</i> | <i>%</i> | <i>Property 1</i> | 2.27 | 2.29 | 2.04 | <i>Property 2</i> | 2.16 | 2.18 | 1.98 | <i>Property 3</i> | 1.37 | 1.38 | 1.30 | Total Average Rate of Return | 1.95 | 1.97 | 1.80 | | | | |
| <i>Investment net rate of return</i> | <i>2019/20 Actual</i> | <i>2020/21 Forecast</i> | <i>2021/22 Forecast</i> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <i>%</i> | <i>%</i> | <i>%</i> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Property 1</i> | 2.27 | 2.29 | 2.04 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Property 2</i> | 2.16 | 2.18 | 1.98 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Property 3</i> | 1.37 | 1.38 | 1.30 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Average Rate of Return | 1.95 | 1.97 | 1.80 | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| THE HRA REVENUE BUDGET 2021/22 AND CAPITAL PROGRAMME 2020/21 TO 2025/26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|------|-------|---|---|-----|-----|---|-----|-------|-------|---|-----|-------|-------|---|-------|-----|-------|---|-----|----|-----|---|---|---|---|---|---|---|---|--------------|--------------|---------------|---------------|
| <u>HOUSING REVENUE ACCOUNT (HRA) BUDGET 2021/22</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Context</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. | <p>The HRA is a £75 million ringfenced revenue account, which exists to provide landlord services and support to approximately 50,000 people within Southampton, with nearly 16,000 homes for tenants and over 2,000 leaseholders. Southampton City Council’s Housing Strategy 2016-2025, and the Corporate Plan 2020-2025 outline the ambitions to support residents in all types of housing and tenure and to ensure the availability of good quality affordable housing in the city. As the largest landlord in the city SCC has a significant opportunity to influence this, through engagement and support of tenants, how we maintain properties, improve neighbourhoods, and address local housing need. The development of a sustainable Housing Revenue Account budget is therefore key to supporting these aims, and ambitions to develop a Greener, Fairer and Healthier City for everyone.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | <p>The HRA records all the income and expenditure associated with the provision and management of council owned homes in the City.</p> <p>The number of homes within the HRA is as follows (subject to movement due to Right to Buy losses and additions of new homes built or purchased):</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="text-align: left;">Bedrooms</th> <th style="text-align: center;">House</th> <th style="text-align: center;">Flat</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>0</td> <td style="text-align: center;">-</td> <td style="text-align: center;">612</td> <td style="text-align: center;">612</td> </tr> <tr> <td>1</td> <td style="text-align: center;">155</td> <td style="text-align: center;">5,097</td> <td style="text-align: center;">5,252</td> </tr> <tr> <td>2</td> <td style="text-align: center;">765</td> <td style="text-align: center;">4,676</td> <td style="text-align: center;">5,441</td> </tr> <tr> <td>3</td> <td style="text-align: center;">3,738</td> <td style="text-align: center;">524</td> <td style="text-align: center;">4,262</td> </tr> <tr> <td>4</td> <td style="text-align: center;">295</td> <td style="text-align: center;">26</td> <td style="text-align: center;">321</td> </tr> <tr> <td>5</td> <td style="text-align: center;">6</td> <td style="text-align: center;">-</td> <td style="text-align: center;">6</td> </tr> <tr> <td>6</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">4,960</td> <td style="text-align: center;">10,935</td> <td style="text-align: center;">15,895</td> </tr> </tbody> </table> <p>In addition to a significant annual revenue account, the HRA records all capital expenditure.</p> | Bedrooms | House | Flat | Total | 0 | - | 612 | 612 | 1 | 155 | 5,097 | 5,252 | 2 | 765 | 4,676 | 5,441 | 3 | 3,738 | 524 | 4,262 | 4 | 295 | 26 | 321 | 5 | 6 | - | 6 | 6 | 1 | - | 1 | Total | 4,960 | 10,935 | 15,895 |
| Bedrooms | House | Flat | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 | - | 612 | 612 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 155 | 5,097 | 5,252 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 765 | 4,676 | 5,441 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 3,738 | 524 | 4,262 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | 295 | 26 | 321 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 6 | - | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | 1 | - | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 4,960 | 10,935 | 15,895 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>2020/21 Forecast Outturn</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | <p>The HRA year-end forecast position for 2020/21 shows a favourable variance of £0.18M compared to a budget of £75.60M, with an additional overspend of £1.29M forecast in relation to the COVID-19 response.</p> <p>Further details are supplied in the stand alone Quarter 3 monitoring report, details are provided in Annex 1.6 to the report on financial monitoring for the period to the end of December 2020 to be considered by Cabinet at its meeting on the 23 February 2021.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <u>HRA Medium Term Financial Position</u> |
| 4. | This report sets out the HRA revenue budgets for 2021/22 and the 40 year HRA business plan covering the period 2021/22 to 2060/61. The proposed changes to rents and other charges included in this report are an integral part of the revenue budget for 2021/22. |
| 5. | Following the Chancellor’s announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted, and there is now greater flexibility and emphasis for councils to be able plan their new build strategy and financing at a local level. As a result, the “1,000 Homes” project was approved in July 2020, delivering quality, affordable council homes. This project is now contained within the 40 year HRA Business Plan, with detailed financial and business development overseen by a dedicated Programme Board as the programme develops. |
| 6. | The HRA Business Plan supports a number of council strategies, including the Medium Term Financial Forecast, to ensure plans are affordable and budgets are aligned to the assumptions detailed in those strategies. The specific HRA Business Plan priorities are summarised below: <ul style="list-style-type: none"> • All HRA debt is sustainable over the life of the 40 year Business Plan. • The capital spending plans include provision to maintain and improve all existing dwellings and is based on a Housing stock capital strategy that continues to be developed and enhanced. • A provision of £409M is set aside for stock replacement over the next 40 years. This includes approved projects such as 1,000 homes and with an additional number of 26 houses per year thereafter. • The revenue budget protects the minimum balances of £2.0M per year over the life of the Plan. |
| 7. | A 40 year HRA Business Plan has been prepared and the summary for the revenue and capital budgets is set out in Annexes 3.1 and 3.2. To ensure all council plans are aligned these reflect the key planning assumptions set out in the Medium Term Financial Forecast. |
| | <u>Rent & Service Charge Increases</u> |
| 8. | The summary of key rent and service charge increases is as follows : <ul style="list-style-type: none"> • An average Rent increase of 1.33% • A General Service Charge increase of 1.50% • A Supported Accommodation Service Charge increase of 1.50% • A Heating charge increase of 2.50% |
| | <u>Rents</u> |
| 9. | It is proposed that in line with Central Government guidelines HRA rents will be increased by the September 2020 Consumer Price Index (CPI), of 0.5%, plus 1% for tenants who are at, or below, formula rent (the government approved method of calculating social rent), or CPI for those tenants who are above formula rent. This means the increase applied will therefore be either 1.5% or 0.5%. This amounts to an average increase of 1.33%. <p>The latest guidance from the Ministry of Housing, Communities and Local Government is that rents will be allowed to increase by up to CPI+1% (subject to the formula rent proviso above) for the years 2020/21 to 2024/25, and after that by up to CPI. These assumptions have been built into the HRA Business Plan.</p> |

| | <p>Whilst the proposed rental increases are expected to raise around £1.042M in additional income for 2021/22, the majority of this will be used to offset expected inflation increases with costs over this time. This increase will not compensate the HRA following the year on year rent reductions of 1% imposed by Government between 2015/16 and 2020/21, with an estimated cumulative loss of income of £33.7M by 31 March 2021.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|----------------------|-------|-------|-----------------------|-------|-------|------------------------------------|-------|-------|-------------------|--------|-------|----------------------------|--------|-------|---------------------------|--------|-------|---------------------|-------|-------|------------|-------|-------|--|-------|-------|----------|-------|-------|------------------|-------|-------|-----------------|-------|-------|---------|-------|-------|------------|-------|-------|-----------------|-------|-------|---------------|-------|-------|------------|-------|-------|
| | <p>Service Charges</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. | <p>The current charging mechanism for service charges in the HRA does not currently recover the full costs applicable to that service charge. This means that income from tenants' rent is currently covering some of the costs associated with these areas, and in part to address this and rising inflation it is proposed to increase charges in line with rental increases at CPI+1% for the 2021/22 financial year. Following previous consultation with residents work is ongoing to review the remaining extent of the 'gap' between costs and income and recommendations around this will be made following that review.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. | <p>In accordance with inflation rising in line with rental increases, the weekly charges to be levied for next year are shown below, with general charges increasing by £0.15 in total and supported accommodation by £0.26 in total:</p> <p>General Service Charges</p> <table border="1"> <thead> <tr> <th></th> <th>21/22</th> <th>20/21</th> </tr> </thead> <tbody> <tr> <td>Concierge monitoring</td> <td>£2.77</td> <td>£2.73</td> </tr> <tr> <td>Walk-Up Block Wardens</td> <td>£1.47</td> <td>£1.45</td> </tr> <tr> <td>Cleaning service in walk-up blocks</td> <td>£0.73</td> <td>£0.72</td> </tr> <tr> <td>Door Entry System</td> <td>£0.22*</td> <td>£0.22</td> </tr> <tr> <td>Emergency Lighting Testing</td> <td>£0.27*</td> <td>£0.27</td> </tr> <tr> <td>Garden/Ground Maintenance</td> <td>£0.22*</td> <td>£0.22</td> </tr> <tr> <td>Tower Block Wardens</td> <td>£5.20</td> <td>£5.12</td> </tr> <tr> <td>Digital TV</td> <td>£0.12</td> <td>£0.43</td> </tr> </tbody> </table> <p>*de minimis for 1.5% increase</p> <p>Supported Accommodation</p> <table border="1"> <thead> <tr> <th></th> <th>21/22</th> <th>20/21</th> </tr> </thead> <tbody> <tr> <td>Cleaning</td> <td>£0.65</td> <td>£0.64</td> </tr> <tr> <td>Floating support</td> <td>£1.29</td> <td>£1.27</td> </tr> <tr> <td>Community Alarm</td> <td>£1.31</td> <td>£1.29</td> </tr> <tr> <td>Support</td> <td>£2.76</td> <td>£2.72</td> </tr> <tr> <td>Management</td> <td>£5.13</td> <td>£5.05</td> </tr> <tr> <td>Careline Silver</td> <td>£3.14</td> <td>£3.09</td> </tr> <tr> <td>Careline Gold</td> <td>£4.45</td> <td>£4.38</td> </tr> <tr> <td>Digital TV</td> <td>£0.12</td> <td>£0.43</td> </tr> </tbody> </table> <p>Garages and Parking space charges are to increase by 1.5%.</p> | | 21/22 | 20/21 | Concierge monitoring | £2.77 | £2.73 | Walk-Up Block Wardens | £1.47 | £1.45 | Cleaning service in walk-up blocks | £0.73 | £0.72 | Door Entry System | £0.22* | £0.22 | Emergency Lighting Testing | £0.27* | £0.27 | Garden/Ground Maintenance | £0.22* | £0.22 | Tower Block Wardens | £5.20 | £5.12 | Digital TV | £0.12 | £0.43 | | 21/22 | 20/21 | Cleaning | £0.65 | £0.64 | Floating support | £1.29 | £1.27 | Community Alarm | £1.31 | £1.29 | Support | £2.76 | £2.72 | Management | £5.13 | £5.05 | Careline Silver | £3.14 | £3.09 | Careline Gold | £4.45 | £4.38 | Digital TV | £0.12 | £0.43 |
| | 21/22 | 20/21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Concierge monitoring | £2.77 | £2.73 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Walk-Up Block Wardens | £1.47 | £1.45 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cleaning service in walk-up blocks | £0.73 | £0.72 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Door Entry System | £0.22* | £0.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Emergency Lighting Testing | £0.27* | £0.27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Garden/Ground Maintenance | £0.22* | £0.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tower Block Wardens | £5.20 | £5.12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Digital TV | £0.12 | £0.43 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 21/22 | 20/21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cleaning | £0.65 | £0.64 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Floating support | £1.29 | £1.27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Community Alarm | £1.31 | £1.29 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Support | £2.76 | £2.72 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Management | £5.13 | £5.05 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Careline Silver | £3.14 | £3.09 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Careline Gold | £4.45 | £4.38 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | <p>Heating Charges</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12. | <p>In previous years, heating charge increases have been applied mid financial year in October. To accommodate improved and clearer communication with tenants, the increase has been moved to the 1st April. This ensures that all changes are incorporated in one annual notification to tenants and leaseholders. A decision for heating charges is</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>therefore required alongside the usual rent and service charge increases. There is an expected saving for the HRA due on print and postage, which for around 5,400 customers amounts to £5,000.</p> <p>The annual review of the Landlord-Controlled Heating (LCH) account shows a surplus of £0.488M (compared to a forecast of £0.500M in the previous report). However, the latest information on forecast price changes indicate increases of 2.44% for electricity, and 5.36% for gas in 2021/22. As 90% of the energy used by LCH is electricity, it is proposed that the charges to tenants for 2021/22 will increase by 2.5%. Annex 3.3 shows the weekly and annual changes by area band.</p> <p>This increase (and future annual increases in line with energy inflation) should gradually reduce the surplus on the account to zero over the next five years, giving this benefit to our residents, and also avoiding the large deficit / surplus swings of the past.</p> |
| | <p><u>Other Key Assumptions</u></p> |
| 13. | <p>Rent arrears have continued to rise in the current financial year, 2020/21, linked to the impact of the welfare reforms and potentially exacerbated by the economic impact of the pandemic. There also remains an ongoing risk of increased financial hardship after the ending of the furlough scheme, planned to be on the 30th April 2021 at the time of writing, and the potential and significant risk of increasing unemployment within the City.</p> <p>In some of the most deprived wards, there has already been significant increases in the number of universal credit claims during the last few months. Although there is a short term impact on the Business Plan, with bad debt provision temporarily rising by 3% in 2021/22, it is expected that in the longer term, the debt position will stabilise in line with national policies and internal debt collection processes. The plan also continues to support the funding of dedicated employment and skills officers to work with tenants needing support at this challenging time.</p> |
| | <p><u>HRA Balances</u></p> |
| 14. | <p>The HRA Business Plan revenue balances enable a longer-term repayment of debt to take place. Following recent cost pressures, and the removal of the debt cap leading to ongoing regeneration/new build borrowing, debt repayments are still taking place during the life of the Business Plan, however there remains a residual debt of £4.45M at the end of the 40 year plan. However, as stated in paragraph 6, all HRA debt is sustainable over the life of the 40 year Business Plan.</p> |
| 15. | <p>A risk to the long term plan is that, if property works related inflation was to exceed general inflation over a prolonged period, this could have a significant adverse impact on HRA balances, as property costs would begin to exceed rental income. Consequently, the forecast financial position is subject to annual review based on the prevailing economic factors and will also reflect the annual review of stock investment needs and estimated unit rates.</p> |
| 16. | <p>The other significant risk is changes in Central Government rental policy in the future. The current guidance is for rents to increase over a period of the next 4 years by CPI + 1% inflation. Policy thereafter is rent increases at CPI per annum. Other policy and legislative changes, such as those associated with Building Safety; Tenants Rights and Shared ownership, could also place additional pressures on revenue budgets and will be kept under review.</p> |

| 17. | It will be necessary to regularly undertake sensitivity analysis to assess the impact of external influences such as building inflation and changes to CPI on the business plan so that the overall budget position can be maintained to support investment in services and properties to meet the expectations of tenants and our regulatory requirements. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 18. | The HRA minimum balance will remain at £2.0M per year. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2020/21 TO 2025/26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19. | The purpose of this section of the report is to update the HRA Capital Programme for the period of 2020/21 to 2025/26, highlighting the changes in the programme since the last reported position to Cabinet in February 2020. The net result of the changes since the previous report is that the programme has increased by £164.34M, mainly due to the addition of the 1,000 homes project to the programme. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20. | The increased investment allows for a full 5 year capital programme from 2021/22, giving greater certainty to planning projects and accounts for the medium term needs of the Council's residents and their housing requirements. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| THE FORWARD CAPITAL PROGRAMME | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21. | Table 1 shows a comparison of the latest capital expenditure for the period 2020/21 to 2025/26 compared to the previously reported programme. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22. | <p><u>Table 1 – Programme Summary</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Reported Programme</th> <th style="text-align: right;">2020/21 £M</th> <th style="text-align: right;">2021/22 £M</th> <th style="text-align: right;">2022/23 £M</th> <th style="text-align: right;">2023/24 £M</th> <th style="text-align: right;">2024/25 £M</th> <th style="text-align: right;">2025/26 £M</th> <th style="text-align: right;">Total £M</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Latest</td> <td style="text-align: right;">47.36</td> <td style="text-align: right;">61.94</td> <td style="text-align: right;">73.99</td> <td style="text-align: right;">98.05</td> <td style="text-align: right;">65.55</td> <td style="text-align: right;">29.62</td> <td style="text-align: right;">376.51</td> </tr> <tr> <td style="text-align: left;">Previous</td> <td style="text-align: right;">47.36</td> <td style="text-align: right;">54.98</td> <td style="text-align: right;">42.19</td> <td style="text-align: right;">36.93</td> <td style="text-align: right;">30.71</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">212.17</td> </tr> <tr> <td style="text-align: left;">Variance</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">6.96</td> <td style="text-align: right;">31.80</td> <td style="text-align: right;">61.12</td> <td style="text-align: right;">34.84</td> <td style="text-align: right;">29.62</td> <td style="text-align: right;">164.34</td> </tr> </tbody> </table> <p>NB: Table includes rounded figures</p> | Reported Programme | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | Latest | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | 376.51 | Previous | 47.36 | 54.98 | 42.19 | 36.93 | 30.71 | 0.00 | 212.17 | Variance | 0.00 | 6.96 | 31.80 | 61.12 | 34.84 | 29.62 | 164.34 | | | | | | | | | | | | | | | | | | | | | | | | |
| Reported Programme | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Latest | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | 376.51 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Previous | 47.36 | 54.98 | 42.19 | 36.93 | 30.71 | 0.00 | 212.17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variance | 0.00 | 6.96 | 31.80 | 61.12 | 34.84 | 29.62 | 164.34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 23. | There is an overall increase in the HRA capital programme of £164.34M to £376.51M, the revised programme is shown by major project in table 2 below and detailed in paragraphs 26-32. A full breakdown by project is provided in Appendix 5 (confidential). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 24. | <p><u>Table 2 – Major Schemes by Major Project</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Major Project</th> <th style="text-align: center;">2020/21 £M</th> <th style="text-align: center;">2021/22 £M</th> <th style="text-align: center;">2022/23 £M</th> <th style="text-align: center;">2023/24 £M</th> <th style="text-align: center;">2024/25 £M</th> <th style="text-align: center;">2025/26 £M</th> </tr> </thead> <tbody> <tr> <td>Improving Quality of Homes</td> <td style="text-align: right;">4.83</td> <td style="text-align: right;">7.57</td> <td style="text-align: right;">6.25</td> <td style="text-align: right;">7.37</td> <td style="text-align: right;">7.73</td> <td style="text-align: right;">7.73</td> </tr> <tr> <td>Making Homes Energy Efficient</td> <td style="text-align: right;">5.89</td> <td style="text-align: right;">17.94</td> <td style="text-align: right;">22.84</td> <td style="text-align: right;">12.17</td> <td style="text-align: right;">13.11</td> <td style="text-align: right;">12.68</td> </tr> <tr> <td>Making Homes Safe</td> <td style="text-align: right;">13.14</td> <td style="text-align: right;">11.97</td> <td style="text-align: right;">5.98</td> <td style="text-align: right;">6.16</td> <td style="text-align: right;">1.35</td> <td style="text-align: right;">1.28</td> </tr> <tr> <td>Supporting Communities</td> <td style="text-align: right;">1.69</td> <td style="text-align: right;">2.51</td> <td style="text-align: right;">2.40</td> <td style="text-align: right;">1.98</td> <td style="text-align: right;">2.22</td> <td style="text-align: right;">2.22</td> </tr> <tr> <td>Supporting Independent Living</td> <td style="text-align: right;">2.11</td> <td style="text-align: right;">2.87</td> <td style="text-align: right;">2.02</td> <td style="text-align: right;">2.02</td> <td style="text-align: right;">2.02</td> <td style="text-align: right;">2.02</td> </tr> <tr> <td>Estate regeneration / new-build</td> <td style="text-align: right;">19.70</td> <td style="text-align: right;">19.09</td> <td style="text-align: right;">34.48</td> <td style="text-align: right;">68.35</td> <td style="text-align: right;">39.12</td> <td style="text-align: right;">3.68</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">47.36</td> <td style="text-align: right;">61.94</td> <td style="text-align: right;">73.99</td> <td style="text-align: right;">98.05</td> <td style="text-align: right;">65.55</td> <td style="text-align: right;">29.62</td> </tr> </tbody> </table> | Major Project | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Improving Quality of Homes | 4.83 | 7.57 | 6.25 | 7.37 | 7.73 | 7.73 | Making Homes Energy Efficient | 5.89 | 17.94 | 22.84 | 12.17 | 13.11 | 12.68 | Making Homes Safe | 13.14 | 11.97 | 5.98 | 6.16 | 1.35 | 1.28 | Supporting Communities | 1.69 | 2.51 | 2.40 | 1.98 | 2.22 | 2.22 | Supporting Independent Living | 2.11 | 2.87 | 2.02 | 2.02 | 2.02 | 2.02 | Estate regeneration / new-build | 19.70 | 19.09 | 34.48 | 68.35 | 39.12 | 3.68 | TOTAL | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 |
| Major Project | 2020/21 £M | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Improving Quality of Homes | 4.83 | 7.57 | 6.25 | 7.37 | 7.73 | 7.73 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Making Homes Energy Efficient | 5.89 | 17.94 | 22.84 | 12.17 | 13.11 | 12.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Making Homes Safe | 13.14 | 11.97 | 5.98 | 6.16 | 1.35 | 1.28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Supporting Communities | 1.69 | 2.51 | 2.40 | 1.98 | 2.22 | 2.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Supporting Independent Living | 2.11 | 2.87 | 2.02 | 2.02 | 2.02 | 2.02 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estate regeneration / new-build | 19.70 | 19.09 | 34.48 | 68.35 | 39.12 | 3.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| MAJOR PROGRAMME CHANGES | | | | | | | | |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| 25. | Improving the Quality of Homes (£5.41M Addition) This focuses on modernisation, upgrade and improvement of common areas, and work inside tenants' homes. In particular the Block Modernisation Programme is a package of work targeting fire safety, energy efficient lighting, replacement flooring, communal decorations, and flat front door replacements. | | | | | | | |
| 26. | Making Homes Energy Efficient (£19.41M Addition) This is focused on improving the thermal quality of residents' homes by reducing their U-value, which assists residents in reducing energy spend and in turn helps tackle fuel poverty. The Warmer Homes Programme is a budget developed with 'hard to treat' pre cast concrete homes in mind, where it has been found that residents experience most condensation and mould problems. This category also deals with the Council's on-going green city commitment by undertaking large scale energy efficiency works to the Canberra, Redbridge and Millbrook tower blocks. | | | | | | | |
| 27. | Making Homes Safe (£4.60M Addition) This consolidates works done as part of the Block Modernisation programme, with a focus on fire safety to ensure that Southampton City Council's residents remain safe. The majority of the works address the Hackett report post Grenfell, including dealing with high priority Fire Risk Assessment remedial works. Included in this category are structural repair works and water quality testing remedial works. | | | | | | | |
| 28. | Supporting Communities (£2.72M Addition) Budgets within this category support the Decent Neighbourhoods work which has an impact on local community engagement. It includes Estate Improvement programmes of works which have been developed in conjunction with Housing & Neighbourhood teams. | | | | | | | |
| 29. | Supporting Independent Living (£1.71M Addition) This supports Sheltered Accommodation schemes and residents requiring adaptations as a means of assisting residents to continue to live independently in their homes. This investment is mainly in disabled adaptation work and upgrades to warden alarm systems. | | | | | | | |
| 30. | Estate Regeneration/New Build (£130.48M Addition) This investment includes the 1000 homes project and encourages the engagement of local communities to help deliver homes that address local needs, such as Potters Court and Townhill Park. | | | | | | | |
| 31. | Council is asked to approve the above additions, totalling £164.34M, to the HRA programme with approval to spend as detailed above. Additions are to be funded through a combination of capital receipts, the Major Repairs Allowance, direct revenue financing and council resources. | | | | | | | |
| OVERALL HRA CAPITAL PROGRAMME | | | | | | | | |
| 32. | Table 3 shows the HRA capital expenditure and the use of resources to finance the programme up to and including 2025/26. | | | | | | | |
| | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
| | | £M | £M | £M | £M | £M | £M | £M |
| | HRA Programme | 47.36 | 61.94 | 73.99 | 98.05 | 65.55 | 29.62 | 376.51 |
| | *CR - Borrowing | (8.35) | (26.74) | (33.43) | (60.22) | (30.30) | (2.24) | (161.28) |
| | Right to Buy Receipts | (11.16) | (7.99) | (12.68) | (9.01) | (4.32) | (2.77) | (47.91) |
| | Grants and other receipts | 0 | (2.42) | (0.30) | 0.00 | 0.00 | 0.00 | (2.72) |
| | Revenue Financing | (8.78) | (3.88) | (6.05) | (6.70) | (8.23) | (1.19) | (34.83) |
| | MRA | (19.07) | (20.92) | (21.54) | (22.11) | (22.71) | (23.42) | (129.77) |
| | Total Financing | (47.36) | (61.94) | (73.99) | (98.05) | (65.55) | (29.62) | (376.51) |
| | *CR – Council Resources | NB: Table contains rounded figures | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

| | |
|-----|---------------------------------------------|
| | Annexes |
| 3.1 | HRA 40 Year Business Plan Operating Account |
| 3.2 | HRA Major Repairs and Improvement Plan |
| 3.3 | HRA Heating Charges Summary |

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

| | | Income | | | Expenditure | | | | | | | Net Operating (Expenditure) £,000 | Repayment of loans £,000 | Revenue Contributions to Capital Outlay (RCCO) £,000 | Surplus (Deficit) for the Year £,000 | Surplus (Deficit) b/fwd £,000 | Surplus (Deficit) c/fwd £,000 |
|------|---------|-----------------------------|--------------------------|--------------------------|------------------|-----------------------|-----------------------------------|------------------------------------|----------------------------|-----------------------------|---------------|-----------------------------------------|--------------------------------|------------------------------------------------------------------|-----------------------------------------------|----------------------------------------|----------------------------------------|
| Year | Year | Net rent Income £,000 | Other income £,000 | Total Income £,000 | Managt. £,000 | Depreciation £,000 | Responsive & Cyclical £,000 | Other Revenue spend £,000 | Total expenses £,000 | Capital Charges £,000 | | | | | | | |
| 1 | 2021.22 | 70,165 | 3,545 | 73,710 | (22,382) | (20,917) | (17,519) | (100) | (60,918) | (5,753) | 7,039 | (3,162) | (3,877) | 0 | 2,000 | 2,000 | |
| 2 | 2022.23 | 72,248 | 3,613 | 75,861 | (22,759) | (21,543) | (17,641) | (103) | (62,046) | (5,962) | 7,852 | (1,803) | (6,049) | 0 | 2,000 | 2,000 | |
| 3 | 2023.24 | 74,930 | 3,689 | 78,619 | (23,255) | (22,115) | (17,828) | (106) | (63,305) | (6,808) | 8,505 | (1,803) | (6,703) | (0) | 2,000 | 2,000 | |
| 4 | 2024.25 | 78,593 | 3,766 | 82,359 | (23,771) | (22,707) | (18,083) | (110) | (64,671) | (7,658) | 10,030 | (1,803) | (8,227) | 0 | 2,000 | 2,000 | |
| 5 | 2025.26 | 80,047 | 3,845 | 83,892 | (24,308) | (23,419) | (18,852) | (113) | (66,692) | (7,943) | 9,258 | (7,547) | (1,187) | 524 | 2,000 | 2,524 | |
| 6 | 2026.27 | 84,309 | 3,926 | 88,235 | (24,859) | (24,624) | (19,564) | (117) | (69,164) | (7,918) | 11,153 | (3,903) | (6,111) | 1,139 | 2,524 | 3,663 | |
| 7 | 2027.28 | 87,365 | 4,008 | 91,374 | (25,422) | (25,878) | (19,878) | (121) | (71,300) | (7,893) | 12,181 | (3,903) | (5,655) | 2,622 | 3,663 | 6,286 | |
| 8 | 2028.29 | 89,168 | 4,092 | 93,261 | (25,999) | (26,693) | (20,195) | (125) | (73,012) | (7,863) | 12,385 | (3,903) | (5,661) | 2,821 | 6,286 | 9,107 | |
| 9 | 2029.30 | 91,009 | 4,178 | 95,187 | (26,588) | (27,533) | (20,516) | (129) | (74,766) | (7,775) | 12,646 | (10,329) | (5,661) | (3,344) | 9,107 | 5,763 | |
| 10 | 2030.31 | 94,673 | 4,266 | 98,939 | (27,191) | (28,399) | (20,840) | (133) | (76,563) | (7,683) | 14,693 | (3,903) | (5,657) | 5,133 | 5,763 | 10,895 | |
| 11 | 2031.32 | 94,804 | 4,356 | 99,160 | (27,808) | (29,292) | (21,167) | (138) | (78,405) | (7,333) | 13,422 | (14,123) | (4,741) | (5,442) | 10,895 | 5,454 | |
| 12 | 2032.33 | 96,757 | 4,447 | 101,204 | (28,438) | (30,214) | (21,497) | (142) | (80,291) | (7,195) | 13,718 | (3,903) | (4,777) | 5,038 | 5,454 | 10,492 | |
| 13 | 2033.34 | 98,751 | 4,541 | 103,291 | (29,083) | (31,164) | (21,831) | (147) | (82,225) | (7,054) | 14,012 | (13,903) | (4,784) | (4,675) | 10,492 | 5,817 | |
| 14 | 2034.35 | 100,771 | 4,636 | 105,407 | (29,742) | (32,144) | (22,167) | (152) | (84,206) | (6,911) | 14,291 | (2,869) | (4,714) | 6,708 | 5,817 | 12,525 | |
| 15 | 2035.36 | 104,795 | 4,733 | 109,529 | (30,416) | (33,149) | (22,507) | (157) | (86,228) | (6,735) | 16,565 | (18,343) | (5,501) | (7,279) | 12,525 | 5,246 | |
| 16 | 2036.37 | 104,907 | 4,833 | 109,740 | (31,104) | (34,185) | (22,850) | (162) | (88,301) | (6,470) | 14,969 | (12,100) | (1,942) | 926 | 5,246 | 6,173 | |
| 17 | 2037.38 | 107,039 | 4,934 | 111,973 | (31,809) | (35,253) | (23,489) | (167) | (90,719) | (6,243) | 15,011 | (14,570) | (1,884) | (1,443) | 6,173 | 4,730 | |
| 18 | 2038.39 | 109,215 | 5,038 | 114,252 | (32,529) | (36,355) | (24,147) | (173) | (93,203) | (5,913) | 15,136 | (4,570) | (1,821) | 8,746 | 4,730 | 13,475 | |
| 19 | 2039.40 | 111,435 | 5,144 | 116,579 | (33,266) | (37,491) | (24,823) | (179) | (95,757) | (5,722) | 15,099 | (9,100) | (1,752) | 4,246 | 13,475 | 17,722 | |
| 20 | 2040.41 | 113,701 | 5,252 | 118,953 | (34,019) | (38,662) | (25,517) | (184) | (98,383) | (5,524) | 15,046 | (9,100) | (1,679) | 4,267 | 17,722 | 21,988 | |
| 21 | 2041.42 | 118,245 | 5,362 | 123,607 | (34,790) | (39,869) | (26,231) | (191) | (101,081) | (5,260) | 17,266 | (18,100) | 0 | (834) | 21,988 | 21,154 | |
| 22 | 2042.43 | 118,374 | 5,474 | 123,849 | (35,578) | (41,115) | (26,966) | (197) | (103,855) | (4,985) | 15,009 | (13,570) | 0 | 1,439 | 21,154 | 22,593 | |
| 23 | 2043.44 | 120,783 | 5,589 | 126,372 | (36,383) | (42,399) | (27,720) | (203) | (106,706) | (4,638) | 15,029 | (12,100) | 0 | 2,928 | 22,593 | 25,522 | |
| 24 | 2044.45 | 123,241 | 5,707 | 128,948 | (37,207) | (43,723) | (28,496) | (210) | (109,636) | (4,417) | 14,895 | (9,100) | 0 | 5,795 | 25,522 | 31,317 | |
| 25 | 2045.46 | 125,751 | 5,827 | 131,577 | (38,050) | (45,088) | (29,293) | (217) | (112,649) | (4,209) | 14,720 | (11,100) | 0 | 3,620 | 31,317 | 34,937 | |
| 26 | 2046.47 | 128,312 | 5,949 | 134,261 | (38,912) | (46,496) | (30,113) | (224) | (115,745) | (4,099) | 14,416 | 0 | 0 | 14,416 | 34,937 | 49,353 | |
| 27 | 2047.48 | 133,443 | 6,074 | 139,517 | (39,794) | (47,948) | (30,955) | (231) | (118,928) | (4,099) | 16,489 | 0 | 0 | 16,489 | 49,353 | 65,843 | |
| 28 | 2048.49 | 133,593 | 6,201 | 139,794 | (40,695) | (49,444) | (31,821) | (239) | (122,200) | (4,009) | 13,585 | (10,000) | (1,354) | 2,231 | 65,843 | 68,073 | |
| 29 | 2049.50 | 136,316 | 6,332 | 142,647 | (41,617) | (50,988) | (32,712) | (247) | (125,563) | (3,853) | 13,231 | (7,000) | (3,349) | 2,882 | 68,073 | 70,956 | |
| 30 | 2050.51 | 139,095 | 6,465 | 145,559 | (42,560) | (52,579) | (33,627) | (255) | (129,021) | (3,255) | 13,283 | (12,349) | (3,277) | (2,343) | 70,956 | 68,613 | |
| 31 | 2051.52 | 141,931 | 6,600 | 148,531 | (43,524) | (54,220) | (34,568) | (264) | (132,575) | (3,196) | 12,760 | (8,500) | (3,198) | 1,062 | 68,613 | 69,675 | |
| 32 | 2052.53 | 147,611 | 6,739 | 154,350 | (44,510) | (55,912) | (35,535) | (272) | (136,229) | (2,889) | 15,233 | (8,500) | (3,113) | 3,620 | 69,675 | 73,295 | |
| 33 | 2053.54 | 147,781 | 6,881 | 154,662 | (45,519) | (57,656) | (36,529) | (281) | (139,985) | (2,536) | 12,141 | (8,670) | (3,021) | 450 | 73,295 | 73,744 | |
| 34 | 2054.55 | 150,797 | 7,025 | 157,822 | (46,550) | (59,455) | (37,550) | (291) | (143,846) | (2,241) | 11,735 | (10,800) | (2,922) | (1,987) | 73,744 | 71,756 | |
| 35 | 2055.56 | 153,876 | 7,173 | 161,048 | (47,605) | (61,310) | (38,601) | (300) | (147,816) | (1,870) | 11,363 | (8,670) | (2,815) | (122) | 71,757 | 71,636 | |
| 36 | 2056.57 | 157,018 | 7,323 | 164,341 | (48,683) | (63,222) | (39,680) | (310) | (151,896) | (1,544) | 10,901 | (8,670) | (2,700) | (469) | 71,635 | 71,166 | |
| 37 | 2057.58 | 160,225 | 7,477 | 167,702 | (49,787) | (65,194) | (40,790) | (320) | (156,091) | (1,265) | 10,346 | (8,500) | (2,577) | (731) | 71,166 | 70,435 | |
| 38 | 2058.59 | 166,644 | 7,634 | 174,278 | (50,915) | (67,227) | (41,931) | (331) | (160,404) | (959) | 12,915 | (8,500) | (2,445) | 1,969 | 70,435 | 72,404 | |
| 39 | 2059.60 | 166,841 | 7,794 | 174,636 | (52,069) | (69,324) | (43,104) | (342) | (164,838) | (651) | 9,147 | (13,440) | (2,305) | (6,597) | 72,404 | 65,807 | |
| 40 | 2060.61 | 170,253 | 7,958 | 178,211 | (53,249) | (71,485) | (44,309) | (353) | (169,396) | (154) | 8,660 | (4,247) | (2,155) | 2,258 | 65,807 | 68,065 | |

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

| | | Expenditure | | | | Financing | | | | | | |
|------|---------|--------------------|-----------------------------|-------------------------|-------------------|-----------|------------------|--------------------|-------|--------|-----------------------------------------|-----------------|
| Year | Year | Major Works & Imps | New Build Development Costs | New Build Major Repairs | Total Expenditure | Borrowing | RTB 141 Receipts | Other RTB Receipts | Other | MRR | Revenue Contributions to Capital Outlay | Total Financing |
| | | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| 1 | 2021.22 | 42,853 | 19,089 | 0 | 61,942 | 26,744 | 5,416 | 2,572 | 2,415 | 20,917 | 3,877 | 61,942 |
| 2 | 2022.23 | 39,508 | 34,478 | 0 | 73,986 | 33,426 | 10,316 | 2,359 | 301 | 21,535 | 6,049 | 73,986 |
| 3 | 2023.24 | 29,699 | 68,346 | 0 | 98,044 | 60,220 | 6,864 | 2,143 | 0 | 22,115 | 6,703 | 98,044 |
| 4 | 2024.25 | 26,436 | 39,117 | 0 | 65,553 | 30,300 | 2,406 | 1,910 | 0 | 22,710 | 8,227 | 65,553 |
| 5 | 2025.26 | 25,935 | 3,685 | 0 | 29,620 | 2,243 | 1,105 | 1,661 | 0 | 23,423 | 1,187 | 29,620 |
| 6 | 2026.27 | 29,781 | 3,807 | 0 | 33,588 | 0 | 1,142 | 1,711 | 0 | 24,624 | 6,111 | 33,588 |
| 7 | 2027.28 | 30,543 | 3,932 | 0 | 34,476 | 0 | 1,180 | 1,762 | 0 | 25,878 | 5,655 | 34,476 |
| 8 | 2028.29 | 31,325 | 4,062 | 0 | 35,387 | 0 | 1,219 | 1,815 | 0 | 26,693 | 5,661 | 35,387 |
| 9 | 2029.30 | 32,127 | 4,196 | 0 | 36,323 | 0 | 1,259 | 1,870 | 0 | 27,533 | 5,661 | 36,323 |
| 10 | 2030.31 | 32,948 | 4,334 | 0 | 37,283 | 0 | 1,300 | 1,927 | 0 | 28,399 | 5,657 | 37,283 |
| 11 | 2031.32 | 32,554 | 4,478 | 329 | 37,361 | 0 | 1,343 | 1,985 | 0 | 29,292 | 4,741 | 37,361 |
| 12 | 2032.33 | 33,386 | 4,625 | 412 | 38,423 | 0 | 1,388 | 2,045 | 0 | 30,214 | 4,777 | 38,423 |
| 13 | 2033.34 | 34,238 | 4,778 | 472 | 39,488 | 0 | 1,433 | 2,107 | 0 | 31,164 | 4,784 | 39,488 |
| 14 | 2034.35 | 35,112 | 4,936 | 584 | 40,632 | 0 | 1,481 | 2,293 | 0 | 32,144 | 4,714 | 40,632 |
| 15 | 2035.36 | 36,008 | 5,098 | 1,436 | 42,542 | 0 | 1,530 | 2,364 | 0 | 33,149 | 5,501 | 42,542 |
| 16 | 2036.37 | 32,694 | 5,267 | 2,182 | 40,143 | 0 | 1,580 | 2,436 | 0 | 34,185 | 1,942 | 40,143 |
| 17 | 2037.38 | 33,527 | 5,441 | 2,312 | 41,280 | 0 | 1,632 | 2,511 | 0 | 35,253 | 1,884 | 41,280 |
| 18 | 2038.39 | 34,381 | 5,620 | 2,448 | 42,449 | 0 | 1,686 | 2,588 | 0 | 36,355 | 1,821 | 42,449 |
| 19 | 2039.40 | 35,257 | 5,806 | 2,590 | 43,653 | 0 | 1,742 | 2,668 | 0 | 37,491 | 1,752 | 43,653 |
| 20 | 2040.41 | 36,154 | 5,997 | 2,739 | 44,890 | 0 | 1,799 | 2,750 | 0 | 38,662 | 1,679 | 44,890 |
| 21 | 2041.42 | 34,001 | 6,195 | 2,895 | 43,091 | 0 | 1,859 | 2,835 | 0 | 38,397 | 0 | 43,091 |
| 22 | 2042.43 | 34,865 | 6,399 | 3,058 | 44,323 | 0 | 1,920 | 2,923 | 0 | 39,480 | 0 | 44,323 |
| 23 | 2043.44 | 35,752 | 6,611 | 3,229 | 45,591 | 0 | 1,983 | 3,014 | 0 | 40,594 | 0 | 45,591 |
| 24 | 2044.45 | 36,660 | 6,829 | 3,408 | 46,897 | 0 | 2,049 | 3,108 | 0 | 41,740 | 0 | 46,897 |
| 25 | 2045.46 | 37,591 | 7,054 | 3,595 | 48,240 | 0 | 2,116 | 3,204 | 0 | 42,919 | 0 | 48,240 |
| 26 | 2046.47 | 44,437 | 7,287 | 3,791 | 55,515 | 0 | 2,186 | 3,304 | 0 | 50,025 | 0 | 55,515 |
| 27 | 2047.48 | 45,565 | 7,527 | 3,996 | 57,088 | 0 | 2,258 | 3,407 | 0 | 51,422 | 0 | 57,088 |
| 28 | 2048.49 | 46,720 | 7,776 | 4,210 | 58,706 | 0 | 2,333 | 3,514 | 0 | 51,505 | 1,354 | 58,706 |
| 29 | 2049.50 | 47,904 | 8,032 | 4,434 | 60,370 | 0 | 2,410 | 3,624 | 0 | 50,988 | 3,349 | 60,370 |
| 30 | 2050.51 | 49,117 | 8,297 | 4,668 | 62,082 | 0 | 2,489 | 3,738 | 0 | 52,579 | 3,277 | 62,082 |
| 31 | 2051.52 | 50,360 | 8,571 | 4,913 | 63,844 | 0 | 2,571 | 3,855 | 0 | 54,220 | 3,198 | 63,844 |
| 32 | 2052.53 | 51,634 | 8,854 | 5,169 | 65,657 | 0 | 2,656 | 3,976 | 0 | 55,912 | 3,113 | 65,657 |
| 33 | 2053.54 | 52,940 | 9,146 | 5,436 | 67,522 | 0 | 2,744 | 4,101 | 0 | 57,656 | 3,021 | 67,522 |
| 34 | 2054.55 | 54,278 | 9,448 | 5,716 | 69,442 | 0 | 2,834 | 4,230 | 0 | 59,455 | 2,922 | 69,442 |
| 35 | 2055.56 | 55,649 | 9,760 | 6,008 | 71,416 | 0 | 2,928 | 4,364 | 0 | 61,310 | 2,815 | 71,416 |
| 36 | 2056.57 | 57,054 | 10,082 | 6,313 | 73,448 | 0 | 3,025 | 4,501 | 0 | 63,222 | 2,700 | 73,448 |
| 37 | 2057.58 | 58,493 | 10,415 | 6,631 | 75,539 | 0 | 3,124 | 4,644 | 0 | 65,194 | 2,577 | 75,539 |
| 38 | 2058.59 | 59,968 | 10,758 | 6,964 | 77,691 | 0 | 3,228 | 4,791 | 0 | 67,227 | 2,445 | 77,691 |
| 39 | 2059.60 | 61,480 | 11,113 | 7,311 | 79,905 | 0 | 3,334 | 4,942 | 0 | 69,324 | 2,305 | 79,905 |
| 40 | 2060.61 | 63,029 | 11,480 | 7,674 | 82,183 | 0 | 3,444 | 5,099 | 0 | 71,485 | 2,155 | 82,183 |

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Agenda Item 10

Annex 3.3
Appendix 23

| Weekly | Area Band | No of properties | 2020/21 £ pa | 2021/22 £ pa | Change |
|--------|----------------------------|------------------|-----------------|-----------------|-------------|
| | Band A <40 m ² | 1,708 | 8.86 | 9.08 | 0.22 |
| | Band B <50 m ² | 2,157 | 11.05 | 11.33 | 0.28 |
| | Band C <60 m ² | 213 | 13.28 | 13.61 | 0.33 |
| | Band D <70 m ² | 571 | 15.46 | 15.85 | 0.39 |
| | Band E <80 m ² | 569 | 17.69 | 18.13 | 0.44 |
| | Band F <90 m ² | 201 | 19.91 | 20.41 | 0.50 |
| | Band G <100 m ² | 8 | 22.11 | 22.66 | 0.55 |
| | Band H <110 m ² | 13 | 24.31 | 24.92 | 0.61 |
| | Band J <20 m ² | 3 | 3.33 | 3.41 | 0.08 |
| | Weighted average | | 11.98 | 12.28 | 0.30 |

| Annual | Area Band | No of properties | 2020/21 £ pa | 2021/22 £ pa | Change |
|--------|----------------------------|------------------|-----------------|-----------------|--------------|
| | Band A <40 m ² | 1,708 | 460.72 | 472.24 | 11.52 |
| | Band B <50 m ² | 2,157 | 574.60 | 588.97 | 14.37 |
| | Band C <60 m ² | 213 | 690.56 | 707.82 | 17.26 |
| | Band D <70 m ² | 571 | 803.92 | 824.02 | 20.10 |
| | Band E <80 m ² | 569 | 919.88 | 942.88 | 23.00 |
| | Band F <90 m ² | 201 | 1,035.32 | 1,061.20 | 25.88 |
| | Band G <100 m ² | 8 | 1,149.72 | 1,178.46 | 28.74 |
| | Band H <110 m ² | 13 | 1,264.12 | 1,295.72 | 31.60 |
| | Band J <20 m ² | 3 | 173.16 | 177.49 | 4.33 |
| | Weighted average | | 574.93 | 589.30 | 14.37 |

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STATUTORY POWER TO UNDERTAKE PROPOSALS IN THE REPORT

1. INTRODUCTION

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

2. GENERAL POSITION

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

3. OBLIGATION TO MAKE A COUNCIL TAX

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

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

4. DEFICIT BUDGETING

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

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

5. BORROWING

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

6. OTHER RELEVANT LEGISLATION

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

7. BEST VALUE: LOCAL GOVERNMENT ACT 1999

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

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

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

9. PERSONAL LIABILITY AND SURCHARGE

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

10. LEGAL STATUS OF POLITICAL PROMISES AND DOCUMENTS

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

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

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

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

11. OTHER LEGAL IMPLICATIONS

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

Document is Confidential

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