Public Document Pack

Overview and Scrutiny Management Committee

Tuesday, 13th February, 2024
at 5.30 pm

PLEASE NOTE TIME OF MEETING

Conference Room 3, Civic Centre,
Southampton

This meeting is open to the public

Members

Councillor Blackman (Chair)
Councillor Moulton (Vice-Chair)
Councillor Evemy
Councillor Y Frampton
Councillor Galton
Councillor Greenhalgh
Councillor Lambert
Councillor Dr Paffey
Councillor Quadir

Appointed Members

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

Contacts

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Democratic Support Officer
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Scrutiny Manager
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PUBLIC INFORMATION

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

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

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

Southampton: Corporate Plan 2022-2030 sets out the four key outcomes:
- **Strong Foundations for Life**.- For people to access and maximise opportunities to truly thrive, Southampton will focus on ensuring residents of all ages and backgrounds have strong foundations for life.
- **A proud and resilient city** - Southampton's greatest assets are our people. Enriched lives lead to thriving communities, which in turn create places where people want to live, work and study.
- **A prosperous city** - Southampton will focus on growing our local economy and bringing investment into our city.
- **A successful, sustainable organisation** - The successful delivery of the outcomes in this plan will be rooted in the culture of our organisation and becoming an effective and efficient council.

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.

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

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

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.

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

Dates of Meetings for the Municipal Year:

2023	2024
10 August	11 January
14 September	01 February
12 October	07 March
9 November	11 April
14 December	

CONDUCT OF MEETING

TERMS OF REFERENCE

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

BUSINESS TO BE DISCUSSED

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

RULES OF PROCEDURE

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

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 4.

DISCLOSURE OF INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS

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

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.
(ii) Sponsorship:
Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.
(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.
(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.
(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

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

- Any public authority or body exercising functions of a public nature
- Any body directed to charitable purposes
- Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

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

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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

3 DECLARATIONS OF SCRUTINY INTEREST

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

4 DECLARATION OF PARTY POLITICAL WHIP

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

5 STATEMENT FROM THE CHAIR

6 EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL 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 confidential appendices to the following Item

Appendices 2 and 3 to this report are confidential and exempt from publication based on Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It contains information relating to the financial or business affairs of any particular person (including the Authority holding that information).

7 THE FINANCIAL POSITION OF THE COUNCIL (Pages 1 - 94)

Report of the Scrutiny Manager recommending that the Committee utilise the information contained within the attached appendices, and the issues that have been identified by the Chair as areas of focus, to scrutinise the Executive on the financial position of the Council.

Monday, 5 February 2024 — Director – Legal and Governance

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Agenda Item 7

DECISION-MAKER:		OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:		THE FINANCIAL POSITION OF THE COUNCIL		
DATE OF DECISION:		13 FEBRUARY 2024		
REPORT OF:		SCRUTINY MANAGER		
CONTACT DETAILS				
Executive Director	**Title**	**Executive Director – Corporate Services and S151 Officer**		
	Name:	**Mel Creighton**	**Tel:**	**023 8083 3528**
	E-mail	**Mel.creighton@southampton.gov.uk**		
Author:	**Title**	**Scrutiny Manager**		
	Name:	**Mark Pirnie**	**Tel:**	**023 8083 3886**
	E-mail	**Mark.pirnie@southampton.gov.uk**		

STATEMENT OF CONFIDENTIALITY		
Appendices 2 and 3 to this report are confidential and exempt from publication based on Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It contains information relating to the financial or business affairs of any particular person (including the Authority holding that information).		
BRIEF SUMMARY		
The Chair of the Overview and Scrutiny Management Committee (OSMC) has requested that a special meeting of the Committee is scheduled to consider the financial position of the Authority.		
RECOMMENDATIONS:		
	(i)	That the Committee utilise the information contained within the attached appendices, and the issues that have been identified by the Chair as areas of focus, to scrutinise the Executive on the financial position of the Council.
REASONS FOR REPORT RECOMMENDATIONS		
1.	To enable the Scrutiny Committee to have an informed discussion on the financial position of the Council	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.	To not schedule a special meeting of the Committee to consider the financial position of the Council. This was rejected because scrutiny is an essential component of good governance.	
DETAIL (Including consultation carried out)		
3.	Given the financial pressures on the Council, the OSMC has discussed the financial position of the Council with the Executive at a number of meetings this municipal year. The Committee last discussed budget matters, including	

	an update to the Medium-Term Financial Strategy, at the 22 November 2023 meeting.
4.	At the November meeting the Committee were informed that the Council intended to request Exceptional Financial Support from the Government, and that further proposals for the 2024/25 budget would be published in January 2024.
5.	In the absence of the published budget proposals, and uncertainty about the negotiations with Government and the 2024/25 budget setting process, the Chair of the OSMC requested that a special meeting of the Committee is scheduled on 13th February 2024 to consider the financial position of the Council.
6.	Whilst recognising that this is a dynamic situation, and that by 13th February the Executive may not be in a position to provide the Committee with all of the detail requested, the Chair has indicated his intention for the Committee to discuss the following issues at the meeting: • The current in-year financial position of the Council. • The request to Government for Exceptional Financial Support and the response received to date to the request. • The position with regards to publishing and consulting on budget proposals for 2024/25. • Headline progress relating to transformation since the November 2023 meeting of the Committee. • An overview of the next steps to be taken to improve the financial sustainability of the Council - including options available, governance processes and timelines.
7.	To inform the discussion the following information has been attached to the report: • Revenue financial monitoring for the period to the end of December 2023 – Appendix 1 • Southampton City Council's request to Government for Exceptional Financial Support – Exempt Appendix 2 • A letter from the Department for Levelling Up, Housing and Communities – Exempt Appendix 3.
8.	Cllr Letts, Deputy Leader and Cabinet Member for Finance and Change, and Mel Creighton, Executive Director for Corporate Services and S151 Officer have been invited to attend the meeting. The Committee are requested to utilise the information provided, and the issues that have been identified by the Chair in paragraph 6 as areas of focus, to scrutinise the invited attendees on the financial position of the Council.
RESOURCE IMPLICATIONS	
Capital/Revenue	
9.	None directly as a result of this report. Appendix 1 outlines the financial position for the council as at the end of December 2023.
Property/Other	

10.	None directly as a result of this report.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
11.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
Other Legal Implications:	
12.	None directly as a result of this report.
RISK MANAGEMENT IMPLICATIONS	
13.	None directly as a result of this report.
POLICY FRAMEWORK IMPLICATIONS	
14.	None directly as a result of this report.

KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report

SUPPORTING DOCUMENTATION

Appendices	
1.	Draft Cabinet report - Revenue financial monitoring for the period to the end of December 2023
2.	Southampton City Council's request to Government for Exceptional Financial Support – Exempt
3.	A letter from the Department for Levelling Up, Housing and Communities – Exempt
Documents In Members' Rooms	
1.	None

Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	No

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

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

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Appendix 1

DECISION-MAKER:		CABINET		
SUBJECT:		REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2023		
DATE OF DECISION:		20 FEBRUARY 2024		
REPORT OF:		CABINET MEMBER FOR FINANCE & CHANGE		
CONTACT DETAILS				
Executive Director	**Title:**	Executive Director Corporate Services and Section 151 Officer		
	Name:	Mel Creighton	**Tel:**	023 8083 3528
	E-mail:	Mel.Creighton@southampton.gov.uk		
Author:	**Title:**	MTFS & Revenue Manager		
	Name:	Stephanie Skivington	**Tel:**	023 8083 2692
	E-mail:	Stephanie.Skivington@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
Not Applicable

BRIEF SUMMARY

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 2023.

The current forecast General Revenue Fund deficit for the year is £11.83M. This is after taking account of £23.97M agreed in-year cost control measures and savings (including favourable monitoring variances), of which £13.10M are in the process of delivery.

The most significant forecast deficit is for the Children & Learning Directorate (£6.58M), with substantial forecast deficits also in the Corporate Services Directorate (£2.35M) and Wellbeing & Housing Directorate (£3.23M).

The MTFS update report to Cabinet and Council in July 2023 set out the financial strategy adopted and actions being taken to address the challenges faced. Further MTFS update reports to Cabinet in October 2023 and November 2023 included additional measures to help reduce expenditure to within budget for 2023/24 and to contribute to achieving a sustainable budget for future years.

While progress is being made in reducing the in-year overspend, which has come down from £20.91M at quarter 1 to £11.83M at quarter 3, it is unlikely that the deficit will be eradicated by the end of the financial year. Work continues on minimising the overspend to reduce the contribution from already depleted reserves that will be needed to balance the budget.

RECOMMENDATIONS:

	<u>General Revenue Fund</u> Cabinet is recommended to:	
	i)	Note the forecast outturn position is a £11.83M deficit, after taking account of £23.97M agreed in-year cost control measures and savings, as outlined in paragraphs 3 to 11.
	ii)	Note the performance in delivering agreed savings plans and in-year cost control measures for 2023/24 as detailed in paragraph 12.
	iii)	Note the performance of treasury management, and financial outlook in paragraphs 13 to 17.
	iv)	Note the performance against prudential indicators in paragraphs 18 and 19.
	v)	Note the forecast year end position for reserves and balances as detailed in paragraphs 20 to 22.
	vi)	Note the Key Financial Risk Register as detailed in paragraph 23.
	vii)	Note the improvement in the Dedicated Schools Grant cumulative deficit detailed in paragraph 27.
	viii)	Note the performance indicators detailed in paragraphs 30 to 31.
	ix)	Note the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 35 to 40.
	<u>Housing Revenue Account</u> Cabinet is recommended to:	
	x)	Note the forecast outturn position is a surplus of £0.59M as outlined in paragraphs 32 to 34.

REASONS FOR REPORT RECOMMENDATIONS	
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the council's resources.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	Not applicable.
DETAIL (including consultation carried out)	
	<u>Revenue Financial Position</u>
3.	The current forecast spending against the council's net General Fund revenue budget for the year is projected to be a deficit of £11.83M after taking account of £23.97M agreed in-year cost control measures and savings (which includes financial monitoring favourable variances), of which £13.10M are in the process of delivery. The position is summarised in Table 1 below.

4. **Table 1 – General Revenue Fund Forecast 2023/24**

	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Children & Learning	64.02	70.60	6.58 A	7.67 A	1.10 F
Corporate Services	39.23	41.58	2.35 A	2.35 A	0.01 A
Place	28.59	28.07	0.52 F	0.47 A	0.99 F
Strategy & Performance and CEO	3.65	3.98	0.33 A	0.11 A	0.22 A
Wellbeing & Housing	95.28	98.52	3.23 A	4.01 A	0.77 F
Total Directorates	**230.77**	**242.75**	**11.98 A**	**14.61 A**	**2.63 F**
Centrally Held Budgets	(9.19)	(8.90)	0.29 A	0.11 F	0.40 A
Net Revenue Expenditure	**221.58**	**233.85**	**12.26 A**	**14.50 A**	**2.23 F**
Financing	(221.58)	(222.01)	0.43 F	0.43 F	0.00
(Surplus) / Deficit for the year	**0.00**	**11.83**	**11.83 A**	**14.07 A**	**2.23 F**

Numbers are rounded

Children & Learning

5. The Children & Learning Directorate has a forecast deficit of £6.58M (10.3%), a favourable movement of £1.10M from the position at quarter 2. The biggest forecast deficit relates to home to school transport (£4.05M), which is due to higher unit prices as well as increased numbers of pupils with an Education, Health and Care Plan (EHCP) who are eligible for transport. Cost reductions are starting to be achieved by reducing the number of journeys through route optimisation and retendering journeys that use larger vehicles. There is also a deficit of £3.18M for Children Looked After, with demand pressures on placement spend. Package costs are being reviewed and challenged on a weekly basis to bring costs down. This area forms part of a transformation project to help deliver further cost reductions and savings. The application of grant funding is being maximised across the directorate to reduce the forecast deficit.

Corporate Services

6. The Corporate Services Directorate has a forecast deficit of £2.35M (6.0%), an adverse movement of £0.01M from the position at quarter 2. Over half of the forecast deficit relates to IT Services (£1.71M), arising from shortfalls in the salary budget (£0.64M), income from rechargeable costs (£0.90M) and income from schools (£0.45M), together with an unachievable prior year saving (£0.20M), offset by £0.48M of in-year staffing and contract savings. Work is continuing to reduce licensing, contract and system costs to reduce the forecast deficit.

	<u>Place</u>
7.	The Place Directorate has a forecast surplus of £0.52M (1.8%), a favourable movement of £0.99M from the position at quarter 2. Favourable variances for Waste (£1.16M) from increased income (including a new energy from waste income stream), lower disposal costs and a pause in project work, and for Parking & Itchen Bridge (£0.77M) from new city centre car park tariffs and a wider increase in usage are key components of this favourable position.
	<u>Strategy & Performance and the Chief Executive's Office (CEO)</u>
8.	The Strategy & Performance and CEO Directorate has a forecast deficit of £0.33M (9.1%), an adverse movement of £0.22M from the position at quarter 2.
	<u>Wellbeing & Housing</u>
9.	The Wellbeing & Housing Directorate has a forecast deficit of £3.23M, a favourable movement of £0.77M from the position at quarter 2. The main area of forecast overspending relates to Adults – Long Term (£4.02M) which includes increased costs of care (£1.46M) and a £1M increase in the cost of bad debts, together with £3.33M for the risk of costs increasing in the final quarter of the year based on past experience, offset by £1.68M new government funding for care costs. Various interventions and projects are planned to take place during the remainder of the year to prevent the cost increases occurring.
10.	More detail, including explanations of significant variances as at quarter 3 (in excess of £0.2M) is provided in Appendix 1. Annex 1.1 shows how the service areas under each directorate translate to Cabinet portfolios.
11.	Work continues on identifying ways to bring down costs and generate more income to reduce overspending in-year and help improve the financial position for future years.
	<u>Implementation of Savings Plans</u>
12.	£40.12M of directorate savings plans have been agreed for 2023/24, including agreed in-year savings and cost control measures. £37.26M (93%) have been achieved or are on track to be achieved before the end of this financial year. The balance of £2.86M (7%) are currently not forecast to be achieved and are included in the adverse variances reported for directorates. A full list of all directorate savings for 2023/24 and their achievability status is provided in Appendix 2.
	<u>Treasury Management</u>
13.	Treasury Management borrowing and investment balances as at 31 December 2023 and forecasts for the year-end are set out in Appendix 3. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net debt is expected to increase by £74.42M to £380.15M as at 31 March 2024, a reduction of £7.10M from the position at quarter 2, due to a reduction in the draw on balances. This forecast remains subject to change, most notably regarding the use of balances and changes to the capital programme.
14.	As at 31 December 2023 the forecast cost of financing the council's loan debt was £20.45M of which £5.88M related 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.
15.	Interest rates have seen a substantial rise over the last two years, although began to plateau towards the end of 2023. Rates over the last 3 quarters were at the peak between June and October, since then they have fallen back to lows last seen in April

	2023. Gilt yields have remained volatile, facing upward pressure following signs that UK growth had been more resilient and inflation stickier than expected. However more recent signs of slowing inflation and the perception of an increasingly struggling economy have now begun to change this sentiment, resulting in falling gilt yields and, consequently, PWLB rates. The bank rate has remained at 5.25% since August 2023 and our treasury management advisors believe it has now peaked. No further debt was taken in quarter 3 but we will need to borrow before year end to meet forecast cashflow. Any borrowing will be done in consultation with the council's treasury management advisors.
16.	Treasury management investments are primarily made to manage day-to-day cash flows using short-term low risk instruments. The council's investment balances as at 31 December 2023 were £51.78M and are expected to reduce to £48M by year end.
17.	Appendix 3 includes an overview of current performance along with an update on the financial outlook.
	Prudential Indicators
18.	The council is required to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much it can afford to borrow. The Prudential Code includes a series of indicators to demonstrate the objectives of the Code are being fulfilled. It is now a requirement of the Prudential Code that these are reported on a quarterly basis. The prudential indicators as at the end of December 2023 are detailed in Appendix 4. The council has operated within the limits set by the prudential indicators for the period to 31 December 2023. The prudential indicators include the ratio of financing costs to net revenue stream as a measure of the affordability of the capital programme. The upper limit for this ratio is set at 11%. This allows for known borrowing decisions in the next two years and to allow for additional borrowing affecting major schemes, it includes the cost of long term liabilities but now excludes investment income in line with the revised code. The 2023/24 forecast for the General Fund is 9.58%.
19.	The Department for Levelling Up, Housing and Communities (DLUHC) issued two consultations in December 2023 - a "final" consultation on proposed changes to regulations and statutory guidance on Minimum Revenue Provision (MRP) closing on 16 February 2024 and a "call for views" on capital measures to improve sector stability and efficiency closing on 31 January 2024. Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP. In its call for views on capital measures, the government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage 'invest-to-save' activity and to manage budget pressures without seeking exceptional financial support. Whilst the government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward. We are currently reviewing these consultations and will report back any action or changes required to our practices and procedures.

	Reserves & Balances
20.	At the 31 March 2023, earmarked revenue reserves totalled £49.59M, plus schools balances totalling £5.46M. As at the end of December 2023 the forecast 2023/24 year-end balance for non-school reserves was £28.07M, before any use to meet the £11.83M in-year deficit. This includes contributions to new Transformation and Improvement, Organisational Redesign and Investment Risk reserves totalling £4.87M agreed as part of the October 2023 MTFS update. The net forecast reduction in non-school reserves of £21.52M includes £20.62M planned use of reserves per the MTFS agreed in February 2023, release of £5.56M of revenue grants carried forward via reserves (including Public Health Grant), a forecast net drawdown of £1.30M from the On Street Parking Reserve to fund the capital programme and net drawdowns totalling £1.14M from other reserves, offset by the £4.87M contribution to new reserves and a contribution of £2.23M for the in-year surplus on the Dedicated Schools Grant.
21.	The forecast year-end balance for the Medium Term Financial Risk (MTFR) Reserve is £9.42M. This is not sufficient to cover the in-year deficit if it is not reduced from its current level. Any one-off sums set aside in the Transformation & Improvement Reserve or Organisational Redesign Reserve that have not been utilised during the year would be the first call for any residual deficit.
22.	The General Fund balance is currently £10.07M, which is 4.5% of the net revenue budget compared to a minimum level of 5% of net revenue expenditure recommended by CIPFA. Based on the forecast as at the end of December 2023, the General Fund Balance will not be required to meet any of the in-year deficit.
	Key Financial Risks
23.	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 Appendix 5.
	Schools
24.	As at 31 December 2023 there were 14 schools forecasting a deficit balance totalling £3.7M which compares to deficits totalling £4.5M at the end of the last financial year (2022/23). There are 28 schools forecasting a surplus balance of £6.7M which compares to surpluses totalling £9.5M at the end of the last financial year. The net position is therefore a £3.0M surplus. At the time of writing there are two schools in deficit working with the Executive Director for Children and Learning, and the finance team to finalise their deficit recovery plans (DRP). These are: • Compass Alternative Provision • Townhill Junior Compass Alternative Provision have received advice during September from a School Resource Management Adviser, provided free of charge by the Department for Education. The results are expected to be incorporated into a Deficit Recovery Plan. Townhill Junior has produced a Deficit Recovery Plan which needs to be approved by its board of governors.
25.	The Schools Finance team are working with schools and providing advice on areas where the schools need to make changes to return to surplus. The current 3-year deficit recovery timetable for schools in deficit to get back to a

	balanced budget may be extended to 5 years if necessary, for schools that have experienced significant COVID-19 pressures.
26.	When a school is required to become an academy by the Department for Education, normally following an inadequate Ofsted inspection grade, then the deficit on conversion becomes a charge to the council's General Fund. There are currently two schools with an Ofsted grade "Requires Improvement", with a combined deficit totalling £0.8M.
	Dedicated Schools Grant (DSG) 2023/24
27.	The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of December 2023 is a £7.9M cumulative deficit, an improvement of £2.2M from the £10.1M cumulative deficit as at 31 March 2023. The deficit has been driven primarily by the significant year on year increases in Education Health Care Plans (EHCPs) and with higher levels of needs in these plans. Whilst this reflects the national picture, the impact is reflected in our local financial resilience. The increase in High Needs funding in 2023/24 has helped mitigate some of the pressure being experienced and further work is being undertaken as part of the DfE programme Delivering Better Value in SEND. The primary strategy for managing the increase in High Needs is threefold: 1. Reduce the number of children requiring an Education and Health Care Plan through targeted early intervention support, through enhanced training and support to schools and parents. 2. Reduce the number of children requiring a place at a special school, by improving the consistency of offer and inclusive practice at mainstream schools and by developing SEND units and resourced provisions within mainstream schools. 3. Maintain a reduction in the reliance of placements in high cost out of city special independent school places, by enhancing the offer and facilities of local mainstream schools, and on the development of highly specialist units and resourced provisions. There has been a reduction in the number of placements in out of city special independent school places and the resultant reduced spend is reflected in the forecast reduction in the deficit.
28.	The Schools Budget is ring-fenced and presently the DSG deficit is subject to a statutory override which means that the deficit will not impact on the wider council services or council tax payers. The statutory override is in place until March 2026, having recently been extended by 3 years.
29.	What this means, however, is that whatever deficit remains, as of April 2026, will impact directly on the council and will need to be covered by General Fund resources. It is therefore important the council ensures robust plans are in place to address the deficit within the 3 year window allowed by Government. The council will need to engage with other authorities and Government to control this deficit. This is likely to be a difficult challenge, which faces many councils nationally.
	Performance Indicators
30.	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 performance indicators. Appendix 6 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

31.	For Income Collection, average days sales outstanding and percentage of debt more than 12 months old are not achieving the targets set for the year. The Customer Payments and Debt Team has been involved with implementing a major upgrade to the system used to collect housing income which has impacted collection rates. The major contributor to the average day sales outstanding performance is adult social care debt (e.g. clients waiting for appointeeship and deputyship) and levels of former tenant arrears. This is closely linked to the percentage of debt more than 12 months old performance. The Team has focussed on aged debt in the last quarter, hence the improvement since quarter 2. For Creditor Payments, although performance for valid and undisputed invoices paid within 30 days has improved and is now exceeding the target, the issues with non-compliance remain. Due to the holiday period in December, there were fewer invoices to process so it is felt that the performance is a reflection of this rather than increased compliance. The January figures will help determine whether or not this assumption is correct. For Tax Collection, the target for in-year council tax collection is not being achieved. However, the target was increased by 0.89% compared to the previous year's actual collection rate with no additional resources to help improve performance, and performance has actually improved by 0.20% compared with last year despite vacancies within the team.
	Housing Revenue Account (HRA)
32.	The Housing Revenue Account is forecast to have a surplus of £0.59M for the year, no change to the position as at quarter 2, as summarised in Table 2 below, which will be used to increase the HRA working balance to £2.59M.
33.	**Table 2 – Housing Revenue Account Forecast 2023/24**

	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Expenditure	79.77	79.20	0.58 F	0.58 F	0.00
Income	(79.77)	(79.78)	0.01 F	0.01 F	0.00
(Surplus) / Deficit for the year	**0.00**	**(0.59)**	**0.59 F**	**0.59 F**	**0.00**

Numbers are rounded

34.	Details of significant variances to budget are provided in Appendix 7.
	Collection Fund
35.	Appendix 8 shows the forecast outturn position for the Collection Fund at quarter 3, with the position summarised in Table 3.

36. **Table 3 – Collection Fund Forecast 2023/24**

	Council Tax £M	Business Rates £M	Total £M
Distribution of previous years' estimated surplus/(contribution towards estimated deficit)	(0.31)	3.45	3.14
Net (income)/expenditure for 2023/24	0.58	2.38	2.96
(Surplus)/Deficit for the year	**0.28**	**5.83**	**6.10**
(Surplus)/Deficit brought forward from 2022/23	0.90	(13.20)	(12.30)
Overall (Surplus)/Deficit Carried Forward	**1.18**	**(7.38)**	**(6.20)**
SCC Share of (Surplus)/Deficit	**0.99**	**(3.61)**	**(2.63)**
Add: Variance in SCC government grant income for business rates reliefs for 2023/24		0.09	0.09
SCC Net Share of (Surplus)/Deficit including government grant adjustments to be taken into account in 2024/25 budget setting	**0.99**	**(3.52)**	**(2.54)**

Numbers are rounded

37. The position on the Collection Fund as a whole is a forecast surplus to be carried forward of £6.20M, comprising a forecast deficit of £1.18M for Council Tax and a forecast surplus of £7.38M for Business Rates.

38. For Council Tax, £0.90M of the deficit was carried forward from 2022/23. Of this, £0.31M was estimated in January 2023 and is being recouped in the current year. The net expenditure for 2023/24 excluding the contribution towards the previous years' estimated deficit is £0.58M. This relates primarily to a higher level of exemptions than estimated when the budget was set.

39. For business rates, a surplus of £13.20M was carried forward from 2022/23. Of this, £3.45M was estimated in January 2023 and is being distributed in the current year. The net expenditure for 2023/24 excluding the distribution of the previous years' estimated surplus is £2.38M. This primarily relates to a £3.33M increase in the amount set aside for appeals compared to budget, offset by a £1.02M reduction in amount set aside for bad debts compared to budget.

40. The council's share of the forecast £6.20M surplus is £2.63M. In addition, grant compensation for business rates reliefs is forecast to be £0.09M less than budgeted, resulting in a forecast adjusted surplus of £2.54M. This surplus is being taken into account in setting the 2024/25 budget and is not available for use in 2023/24.

Conclusion and Outlook

41. Measures have been brought forward throughout the year to help reduce expenditure to within budget for the current year and to stabilise the council's financial position. While some progress is being made the position remains challenging, with a forecast deficit on the General Revenue Fund of £11.83M for the year, and it is unlikely that the deficit will be eradicated by the end of the financial year.

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
42.	The revenue implications are contained in the report.
<u>Property/Other</u>	
43.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report</u>:	
44.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications</u>:	
45.	None.
RISK MANAGEMENT IMPLICATIONS	
46.	See comments within the report. There is a risk that if cost control measures and savings do not mitigate the overspend adequately, reserves and/or balances will need to be used up to balance the budget.
POLICY FRAMEWORK IMPLICATIONS	
47.	None.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	General Revenue Fund Forecast Qtr 3 2023/24
2.	Savings and In-Year Cost Control Measures Qtr 3 2023/24
3.	Treasury Management Qtr 3 2023/24
4.	Prudential Indicators Qtr 3 2023/24
5.	Key Financial Risks Register Qtr 3 2023/24
6.	Performance Indicators Qtr 3 2023/24
7.	Housing Revenue Account (HRA) Forecast Qtr 3 2023/24
8.	Collection Fund Forecast Qtr 3 2023/24

Documents In Members' Rooms

1.	None

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

1.	The Revenue Budget 2023/24, Medium Term Financial Strategy and Capital Programme (Council 22 February 2023)

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Appendix 2

OVERALL GENERAL REVENUE FUND FORECAST OUTTURN POSITION FOR 2023/24

Directorate	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Children & Learning	64.02	70.60	6.58 A	7.67 A	1.10 F
Corporate Services	39.23	41.58	2.35 A	2.35 A	0.01 A
Place	28.59	28.07	0.52 F	0.47 A	0.99 F
Strategy & Performance and CEO	3.65	3.98	0.33 A	0.11 A	0.22 A
Wellbeing & Housing	95.28	98.52	3.23 A	4.01 A	0.77 F
Total Directorates	**230.77**	**242.75**	**11.98 A**	**14.61 A**	**2.63 F**
Levies & Contributions	0.09	0.09	0.01 A	0.01 A	0.00
Capital Asset Management	9.86	9.75	0.11 F	0.11 F	0.00
Other Expenditure & Income	(19.14)	(18.75)	0.39 A	0.01 F	0.40 A
Net Revenue Expenditure	**221.58**	**233.85**	**12.26 A**	**14.50 A**	**2.23 F**
Council Tax	(115.51)	(115.51)	0.00	0.00	0.00
Business Rates	(49.14)	(49.14)	0.00	0.00	0.00
Non-Specific Government Grants	(56.93)	(57.36)	0.43 F	0.43 F	0.00
Total Financing	**(221.58)**	**(222.01)**	**0.43 F**	**0.43 F**	**0.00**
(SURPLUS)/DEFICIT	**0.00**	**11.83**	**11.83 A**	**14.07 A**	**2.23 F**

Numbers are rounded

Annex 1.1 shows how the service areas within each directorate relate to portfolios.

EXPLANATIONS BY DIRECTORATE

1. CHILDREN & LEARNING

KEY REVENUE ISSUES – QUARTER 3 2023/24

The Directorate is currently forecast to have a deficit of **£6.58M**, which represents a percentage variance against budget of **10.3%.** The Directorate forecast variance has moved favourably by **£1.10M** from the position reported at Quarter 2.

	Budget £M	**Forecast Outturn £M**	**Forecast Variance Qtr 3 £M**	**Forecast Variance Qtr 2 £M**	**Movement from Qtr 2 £M**	**% of budget**
Directorate Forecast Outturn	**64.02**	**70.60**	**6.58 A**	**7.67 A**	**1.10 F**	**10.3%**

A summary of the Directorate forecast variance and movement since Quarter 2 is shown in the table below:

Service Area	**Budget £M**	**Forecast Outturn £M**	**Forecast Variance Qtr 3 £M**	**Forecast Variance Qtr 2 £M**	**Variance Movement from Qtr 2 £M**
Divisional Management	1.79	1.51	0.28 F	0.27 F	0.01 F
Legal (Children's)	0.60	0.36	0.24 F	0.00	0.24 F
Safeguarding	9.75	9.30	0.45 F	0.07 F	0.37 F
Children Looked After	29.43	32.61	3.18 A	2.83 A	0.35 A
Pathways Through Care	0.71	1.06	0.35 A	0.36 A	0.01 F
Children & Families First	2.71	2.31	0.40 F	0.07 A	0.47 F
Stronger Communities (Child Friendly City)	0.02	0.07	0.05 A	0.14 A	0.09 F
Education - Home to school transport and property management	7.11	11.28	4.17 A	4.32 A	0.15 F
Education - Services for schools, High Needs	5.78	6.01	0.23 A	0.17 A	0.06 A
Other	6.12	6.09	0.03 F	0.12 A	0.16 F
Total	**64.02**	**70.60**	**6.58 A**	**7.67 A**	**1.10 F**

The SIGNIFICANT issues for the directorate are:

<table>
<tr><th>Service Area</th><th>Forecast Variance Qtr 3 £M</th><th>Explanation</th></tr>
<tr><td>Divisional Management & Legal</td><td>0.28 F</td><td>As at Quarter 3 there is a favourable variance of £0.28M. This is due to reduced project costs by focusing projects and change support on a smaller number of key projects as well as increased grant funding to offset staffing costs.

The favourable movement of £0.01M from Quarter 2 relates to reduced project costs by focusing projects and change support on a smaller number of key projects.</td></tr>
<tr><td>Legal (Children's)</td><td>0.24 F</td><td>As at Quarter 3 there is a favourable variance of £0.24M. This is following a review of current and future spend between the Service, Legal and Finance teams.</td></tr>
<tr><td>Safeguarding</td><td>0.45 F</td><td>Safeguarding - as at Quarter 3 there is a forecast £0.45M favourable variance due to the implementation of improvements to reduce costs of expensive and intrusive social care interventions with families by providing efficient and cost effective support for families at the earliest opportunity. Additionally, there are staffing vacancies forecasted within the service teams.

The favourable movement of £0.37M from Quarter 2 mainly relates to additional staff vacancy movements.</td></tr>
<tr><td>Children Looked After</td><td>3.18 A</td><td>Children Looked After - The adverse variance at Quarter 3 of £3.18M relates to a number of demand pressures within the Children Looked After Teams' placement spend. These adverse variances against budget and the movement from Quarter 2 are detailed below:
<table>
<tr><th>Area</th><th>Q3 £M</th><th>Q2 £M</th><th>Mvt £M</th></tr>
<tr><td>Residential placements</td><td>1.46 A</td><td>1.09 A</td><td>0.37 A</td></tr>
<tr><td>SCC Foster Carers</td><td>0.38 A</td><td>0.44 A</td><td>0.06 F</td></tr>
<tr><td>Special Guardianship</td><td>0.49 A</td><td>0.37 A</td><td>0.12 A</td></tr>
<tr><td>Unaccompanied Asylum Seeking Children costs</td><td>0.28 A</td><td>0.37 A</td><td>0.09 F</td></tr>
<tr><td>Children in Care Teams</td><td>0.69 A</td><td>0.61 A</td><td>0.08 A</td></tr>
<tr><td>Independent Foster Carers (IFAs)</td><td>0.02 A</td><td>0.06 A</td><td>0.04 F</td></tr>
</table>
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<table>
<tr><td>Offset by a favourable variance due to staffing underspends in the Fostering and Phoenix Teams.</td><td>0.14 F</td><td>0.11 F</td><td>0.03 F</td></tr>
<tr><td>TOTAL</td><td>3.18 A</td><td>2.83 A</td><td>0.35 A</td></tr>
</table>
Work is currently being undertaken to review the current overspend by reviewing and challenging the package cost status of Children Looked After on a weekly basis.
The current forecasted spend In Children Looked After (CLA) and Pathways this year is £32.61M which is significantly below the 2022/23 outturn of £35.29M.
</td>
</tr>
<tr>
<td>Pathways Through Care</td>
<td>0.35 A</td>
<td>
As at Quarter 3 there is a forecast adverse variance of £0.35M based on the current number of clients causing an adverse movement of £0.64M however there is a favourable variance of £0.29M which partly mitigates this adverse position with the use of the Staying Close grant that has been awarded to the service.
The overspend position continues to be managed by reviewing activity relating to care leaver accommodation.
The favourable movement of £0.01M from Quarter 2 mainly relates to reviewing the spend profile relating to care leaver accommodation.
</td>
</tr>
<tr>
<td>Children & Families First</td>
<td>0.40 F</td>
<td>
As at Quarter 3 there is a favourable variance of £0.40M. There is a forecast £0.08M favourable variance due to an increase in the payment by results elements of the Supporting Families Grant as well as additional cost reductions following allocation of the Family Hubs Grant to the sum of £0.32M.
The favourable movement of £0.47M from Quarter 2 relates to an increased £0.33M allocation of the Family Hubs grant against existing costs following a review, £0.08M favourable variance due to an increase in the payment by results elements of the Supporting Families Grant, and smaller favourable movements amounting to £0.06M.
</td>
</tr>
</table>

Education - Home to school transport and property management	4.17 A	As at Quarter 3 there is a forecast adverse variance of £4.17M. £4.05M is due to the increased costs experienced by the School Travel Service arising from higher unit prices as well as increased numbers of pupils with an Education, Health and Care Plan (EHCP) who are eligible for home to school transport. A programme of works to reduce the costs has begun and this is being achieved by reducing the number of journeys through route optimisation and retendering journeys that use larger vehicles. Operational costs have reduced in year by £0.41M with further routes under review. The Educational Psychologists team have pressures of £0.16M not being able to achieve savings targets as well as additional staff costs to meet the increase in demands as the statutory tasks arising from the increase in EHCPs are prioritised as well as maintaining the budgeted levels of income. Cost mitigation measures have been implemented to reduce the pressure by reducing non salary costs and increasing income. These pressures are offset by net cost reductions of £0.04M from property management. The favourable movement of £0.15M since Quarter 2 is due to the removal of the Home to School consultants' costs as they are to be met by the Council's contingency and some further cost reductions in the School Travel Service. There have also been cost reductions and increased income in the Education Psychologist team of £0.02M.
Education - Services for schools, High Needs	0.23 A	As at Quarter 3 there is a forecast adverse variance of £0.23M. There are pressures in placement costs of £0.30M offset by reduced costs in client package costs of £0.06M. There are some staff costs pressures which are mostly offset by increased grant funding. Cost mitigation measures have been implemented to reduce the pressure by reducing staffing and running costs as well as increasing income. The adverse movement of £0.06M since Quarter 2 is due to an increase in placement costs £0.13M, an increase in staff costs £0.01M offset by an increase in grant funding (£0.08M).

2. CORPORATE SERVICES

KEY REVENUE ISSUES – QUARTER 3 2023/24

The Directorate is currently forecast to have a deficit of **£2.35M**, which represents a percentage variance against budget of **6.0%.** The Directorate forecast variance has moved adversely by **£0.01M** from the position reported at quarter 2.

	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Directorate Forecast Outturn	**39.23**	**41.58**	**2.35 A**	**2.35 A**	**0.01 A**	**6.0%**

A summary of the Directorate forecast variance and movement since quarter 2 is shown in the table below:

Service Area	**Budget** **£M**	**Forecast Outturn** **£M**	**Forecast Variance** **Qtr 3** **£M**	**Forecast Variance** **Qtr 2** **£M**	**Variance Movement from Qtr 2** **£M**
Accounts Payable	0.26	0.57	0.32 A	0.26 A	0.06 A
Accounts Receivable	2.16	2.15	0.01 F	0.18 A	0.19 F
Business Support	1.78	2.12	0.35 A	0.17 A	0.18 A
Commercialisation	(0.29)	0.02	0.31 A	0.31 A	0.00
Corporate Finance	2.79	2.70	0.09 F	0.15 A	0.24 F
Facilities Management	0.73	0.95	0.22 A	0.07 A	0.15 A
Highways Contracts	7.92	8.45	0.53 A	0.14 F	0.67 A
HR Services	3.21	3.13	0.08 F	0.08 F	0.00
IT Services	9.35	11.06	1.71 A	1.71 A	0.00
Leisure Contracts	2.54	1.88	0.66 F	0.08 F	0.58 F
Local Taxation & Benefits Services	2.10	2.45	0.35 A	0.20 A	0.15 A
Pension & Redundancy Costs	3.27	3.04	0.23 F	0.23 F	0.00
Supplier Management Services	1.59	1.36	0.23 F	0.14 F	0.09 F

Other Services	1.82	1.70	0.14 F	0.03 F	0.11 F
Total	**39.23**	**41.58**	**2.35 A**	**2.35 A**	**0.01 A**

The SIGNIFICANT issues for the directorate are:

Service Area	Forecast Variance Qtr 3 £M	Explanation
Accounts Payable	0.32 A	The adverse variance of £0.32M relates to unachievable prior year savings targets of £0.25M, including charging for the appointeeship service £0.03M; IDEA income £0.05M; renegotiation of payment terms with suppliers £0.03M; greater use of purchase cards £0.12M; and cost reduction of £0.03M. There is also a forecast overspend for staffing of £0.06M which includes the unbudgeted pay award pressure and unachievable vacancy management. Plus, additional printing & postage costs of £0.01M. The adverse forecast movement since Quarter 2 of £0.06M relates to the pressure in printing & postage costs identified.
Business Support	0.35A	The adverse variance of £0.35M relates to non-achievement of prior year savings for the reconfiguration of the Blue Badge Application process, automation, and staff savings of £0.23M. In addition, there is a salary related pressures of £0.12M including the pressure for the unfunded pay award and a pressure due to non-achievement of the vacancy management targets. The adverse forecast movement since Quarter 2 of £0.18M relates to the non-achievement of the full vacancy management target of £0.09M. Also, there is an additional unachievable saving identified of £0.06M and a new cost control measure for deletion of posts also for £0.06M both of which will not be achieved in this year only.
Commercialisation	0.31 A	The adverse variance of £0.31M relates to unachievable prior year savings targets including the commercialisation general target of £0.23M; the City Lottery Proposal £0.04M and

		the Enhancement of the Salary Sacrifice scheme £0.04M.
Facilities Management	0.22 A	The adverse variance of £0.22M relates to the non-achievement of savings targets for Civic Centre energy controls of £0.09M, cleaning costs of £0.09M, a restructure of the FM team of £0.05M and a reduction in the Civic Centre security costs of £0.02M. In addition to this there is a pressure for the unfunded pay award of £0.01M and minor overspends of £0.06M. This is offset by cost control measures of £0.02M and £0.08M for salary underspends due to vacancies. The adverse forecast movements since Quarter 2 of £0.15M relates to the identification of further unachievable savings of £0.17M and the minor overspends of £0.06M, which is offset by £0.08M of salary underspends.
Highways Contract	0.53 A	The adverse variance of £0.53M relates to a pressure of electricity costs £0.61M for street lighting, unachievable income for 3rd party income from planning applications due to a change in the legislation of £0.21M and the unachievable gain share after offsets of £0.20M. This is offset by backdated indexation for the recharge to the HRA £0.08M, cost control measures of £0.14M for ceasing find and fix, plus a historic rebate also from the find and fix contract £0.12M, pension adjustments to contracts of £0.04M and contract value underspends of £0.11M. The adverse movement since Quarter 2 of £0.67A relates to the electricity cost pressures of £0.61M and the unachievable income of £0.41M. This is offset by the backdated income from the HRA of £0.08M, the pensions adjustments of £0.04M, the rebate for find and fix of £0.12M and the contract underspends of £0.11M.
IT Services	1.71 A	The adverse variance of £1.71M relates to a shortfall in budget for the full salary establishment for the IT service of £0.56M and a capital recharge income pressure of £0.90M. In addition, there is a shortfall in the income from schools of £0.45M and an unachievable prior year savings target of £0.20M. There is also a pressure for the unfunded pay award of £0.08M. This is offset by savings identified of £0.48M, including £0.13M in the telecommunications

		budget and £0.35M for other staffing and IT contract savings. Work is continuing to be undertaken to reduce the deficit position including a review of licences, procurement arrangements and software system duplication. This review is being supported by an external organisation to ensure it can be completed at pace.
Local Taxation & Benefits Services	0.35 A	The adverse variance of £0.35M relates to the non-achievement of prior year savings of £0.16M for the reduction in the cost of collecting Council Tax and Business Rates and a reduction to the bad debt provision. There is also a staffing pressure of £0.04M for the unfunded pay award and pressure for unbudgeted printing and postage of £0.34M. This is offset by forecast staffing savings of £0.05M and New Burdens grant funding of £0.14M. The adverse forecast movements since Quarter 2 of £0.15M relates to the printing and postage pressures and an adverse movement for salaries of £0.05M. This is offset by the New Burdens grant funding of £0.14M.
Pension & Redundancy Costs	0.23 F	The favourable variance of £0.23M relates a saving of £0.23M to realign the pensions budget for compensatory added years (CAY) to reflect future forecast expenditure more accurately.
Supplier Management Services	0.23 F	The favourable variance of £0.23M relates to favourable business as usual staffing variance and changes to the funding for some posts of £0.37M. In addition to this there is a proposed saving of £0.03M for increased recharges to capital and some minor underspends of £0.02M. This is offset by £0.03M for the unfunded pay award and £0.16M of unachievable prior year savings for procurement. The favourable forecast movement since Quarter 2 of £0.09M relates to further underspends on salaries of £0.23M and the minor underspends, offset by the unachievable saving of £0.16M.

3. PLACE

KEY REVENUE ISSUES – QUARTER 3 2023/24

The Directorate is currently forecast to have a surplus of **£0.52M**, which represents a percentage variance against budget of **1.8%.** The Directorate forecast variance has moved favourably by **£0.99M** from the position reported at quarter 2.

	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Directorate Forecast Outturn	**28.59**	**28.07**	**0.52 F**	**0.47 A**	**0.99 F**	**1.8%**

A summary of the Directorate forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
City Services	20.89	20.60	0.29 F	0.15 A	0.44 F
Consumer Protection & Environmental Services	(7.11)	(7.51)	0.40 F	0.23 F	0.17 F
Transport & Planning	5.36	5.77	0.41 A	0.40 A	0.01 A
Corporate Estates & Assets	4.04	3.45	0.59 F	0.23 F	0.36 F
Culture & Tourism	3.99	3.84	0.15 F	0.15 F	0.00
Economic Development & Regeneration	0.88	1.11	0.23 A	0.25 A	0.02 F
Others	0.53	0.80	0.27 A	0.28 A	0.01 F
Total	**28.59**	**28.07**	**0.52 F**	**0.47 A**	**0.99 F**

The SIGNIFICANT issues for the directorate are:

Service Area	Forecast Variance Qtr 3 £M	Explanation
City Services	0.29 F	There is a favourable position in Waste of £1.16M from increased income, including the introduction of a new income stream for electricity generation in the Waste disposal contract, the Waste Improvement & Transformation project intentionally being paused in year to generate a saving whilst waiting for guidance from central government, along with a reduction in forecast disposals costs based on the contract inflation for 2024 being lower than previously estimated. This is off-set by adverse forecasts in Fleet and Landscapes of £0.41M from reduced recharge income, District Operating Areas of £0.37M from increased operating costs and unachieved savings and other net pressures of £0.07M. The movement in Quarter 3 is mainly in Waste from increased income, particularly the new income stream for electricity generation from the waste disposal contract, along with a reduction in forecast disposals costs based on the contract inflation for 2024 being lower than previously forecast.
Consumer Protection & Environmental Services	0.40 F	The favourable variance of £0.77M in Parking & Itchen Bridge from new tariffs in city centre car parks generating additional income, along with a wider increase in usage. There are also other net favourable variances of £0.10M mainly from holding vacancies and reducing overtime. This is offset by an adverse variance of £0.32M on Port Health due to reduced income and a back dated business rate liability, and an adverse variance in respect of the Coroners service of £0.15M. The movement in Quarter 3 is from the introduction of the new city centre car park tariffs.
Transport & Planning	0.41 A	There is an adverse variance in Planning of £0.61M due to forecast planning application income being below budget based on past annual trends and estimates for major applications in 2023/24, along with the requirement to fund unbudgeted Local Plan activity undertaken in year. This is off-set by in-year savings in Transportation and Flood Risk Management of £0.20M.

Corporate Estates & Assets	0.59 F	There is a favourable variance from in-year savings to remove vacant posts of £0.48M, along with other action of £0.23M to increase staffing recharges to capital and generate external income through Joint Working Arrangements with other authorities. There is a £0.50M favourable variance on corporate landlord energy costs through better rates. This is off-set by adverse variances on reactive repairs of £0.29M through increase demand and £0.19M on the investment portfolio mainly due to additional legal fees. The movement in the quarter is mainly from action taken to be able to move a previously reported revenue pressure of £0.20M for revetments in Mayflower Park to capital funding.
Economic Development & Regeneration	0.23 A	There is an adverse variance from proposals to enhance the new service to facilitate growth in the City through masterplanning and increasing capacity of the team. The intention is that this additional investment leads to future growth in Council Tax and Business Rate income.
Others	0.27 A	There is a historic unachievable directorate wide saving related to agency staff. This has previously been held centrally and applied to relevant services as part of year process. As part of budget planning this saving is being removed and replaced by service specific proposals to ensure the overall cash limit is achieved.

4. STRATEGY & PERFORMANCE AND CEO

KEY REVENUE ISSUES – QUARTER 3 2023/24

The Directorate is currently forecast to have a deficit of **£0.33M**, which represents a percentage variance against budget of **9.1%.** The Directorate forecast variance has moved adversely by **£0.22M** from the position reported at quarter 2.

	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Directorate Forecast Outturn	**3.65**	**3.98**	**0.33 A**	**0.11 A**	**0.22 A**	**9.1%**

A summary of the Directorate forecast variance and movement since quarter 2 is shown in the table below:

Service Area	**Budget** **£M**	**Forecast Outturn** **£M**	**Forecast Variance** **Qtr 3** **£M**	**Forecast Variance** **Qtr 2** **£M**	**Variance Movement from Qtr 2** **£M**
Business Development Management Team	0.20	0.20	0.00	0.00	0.00
Corporate Communications	0.93	0.99	0.02 A	0.06 A	0.04 F
Data & Intelligence	0.18	0.19	0.20 A	0.01 A	0.19 A
Projects, Policy & Performance	1.59	1.69	0.16 A	0.10 A	0.06 A
Strategic Management of the Council	0.81	0.76	0.05 F	0.05 F	0.00
Total	**3.65**	**3.98**	**0.33 A**	**0.11 A**	**0.22 A**

The SIGNIFICANT issues for the directorate are:

Service Area	Forecast Variance Qtr 3 £M	Explanation
Data & Intelligence	£0.20 A	Data & Intelligence - The adverse variance of £0.20M relates to the non-achievement of prior year savings £0.08M for a review of policy related roles across the organisation which has not resulted in any savings, and unbudgeted staff costs identified following a detailed review of policy and data related roles of £0.24M this is offset by the underspend on posts that form the equal and opposite position in Projects, Policy & Performance this imbalance will be resolved in month 10 of £0.07M plus minor underspends of £0.05M. The adverse movement since quarter 2 of £0.19M relates to the non-achievement of prior year savings of £0.08M for a review of policy related roles across the organisation, unbudgeted staff costs identified following a detailed review of policy and data related roles of £0.24M. This is offset by the underspend on posts that form the equal and opposite position in Projects, Policy & Performance this imbalance will be resolved in month 10 of £0.07M plus minor underspends of £0.06M which had previously been an overspend.

5. WELLBEING & HOUSING

KEY REVENUE ISSUES – QUARTER 3 2023/24

The Directorate is currently forecast to have a deficit of **£3.23M**, which represents a percentage variance against budget of **3.4%.** The Directorate forecast variance has moved favourably by **£0.77M** from the position reported at quarter 2.

	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Directorate Forecast Outturn	**95.28**	**98.52**	**3.23 A**	**4.01 A**	**0.77 F**	**3.4%**

A summary of the Directorate forecast variance and movement since quarter 2 is shown in the table below:

Service Area	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Adults - Adult Services Management	1.16	0.90	0.26 F	0.00	0.26 F
Adults - Long Term	45.14	49.16	4.02 A	3.54 A	0.48 A
Adults - Provider Services	4.29	3.85	0.44 F	0.01 A	0.45 F
Adults - Reablement & Hospital Discharge	8.80	8.15	0.65 F	0.20 F	0.45 F
Adults - Safeguarding AMH & OOH	14.02	14.16	0.14 A	0.24 A	0.10 F
Housing Needs	2.96	3.79	0.83 A	0.26 A	0.57 A
ICU - Provider Relationships	14.94	14.74	0.20 F	0.14 A	0.34 F
ICU - System Redesign	1.63	1.62	0.01 F	0.10 A	0.11 F
Public Health	0.18	0.18	0.00	0.00	0.00
Stronger Communities	0.52	0.42	0.10 F	0.09 F	0.01 F
Other	1.64	1.54	0.10 F	0.01 A	0.11 F
Total	**95.28**	**98.52**	**3.23 A**	**4.01 A**	**0.77 F**

The SIGNIFICANT issues for the directorate are:

Service Area	Forecast Variance Qtr 3 £M	Explanation
Adult Services Management	0.26 F	There has been a movement of £0.26M since quarter 2 due to a reallocation of staffing costs to the Ambitious Futures project and further analysis of project spend projections for remainder of the financial year of £0.13M, and overall vacancy savings of £0.13M.
Adults - Long Term	4.02 A	As at Quarter 3, there is a forecast £4.02M adverse variance, with £3.33M of this due to the risk of the Adult Social Care adverse financial position increasing through the remainder of the final quarter of the financial year based on previous years' trajectories. However, there are currently various interventions/transformation projects planned to take place in year to reduce the risk of the overspend rising, with the aim of ultimately coming back to the budget - discussions and plans are still being put together for this. There is a forecast £0.96M adverse variance due to increasing cost of care for Learning Disabilities, and a forecast adverse variance of £0.5M due to increasing cost of care within older persons and physical disabilities. There is a £1M increase in the cost of bad debts, and expected cancellations of debt, with this area still undergoing further analysis as debt levels continue to rise. There is also a forecast £0.04M favourable variance due to the difference between the overall budgeted salary cost and pay award uplift and overall vacancy savings. This is partially offset by the receipt from Central Government of £1.68M increased grant for Market Sustainability and Improvement. There is also a £0.05M favourable variance due to smaller variances. There has been a £0.48M adverse movement since quarter 2 due to the increase in bad debt provision of £0.7M because of the high level of arrears and cancellations expected, less overall favourable movement in respect of vacancy savings of £0.12M, partially offset by a £0.1M adverse variance due to smaller variances. Increases in care provision have been offset by reducing the risk forecast.

		Work is ongoing to address debt arrears across the authority and is being picked up through the debt management working group.
Adults – Provider Services	0.44 F	There has been a favourable movement of £0.44M since Quarter 2, which comprises a £0.53M favourable variance at Holcroft House due to revised projections on agency staff and vacancies, a £0.03M removal of recharge funding to Employment Support, which is now funded in 2023/24 only by Public Health and £0.05M due to staff vacancies and purchases. This is partially offset by the £0.07M difference between the budgeted pay award uplift amount and the forecast amount as an outcome of the pay negotiations and £0.10M at Kentish Rd respite centre due to projected agency costs to support additional 1:1 support and 2:1 support for complex clients.
Adults - Reablement & Hospital Discharge	0.65 F	As at Quarter 3, there is a forecast £0.65M favourable variance due to a favourable £0.20M saving commitment against agency spend, a £0.20M favourable variance relating to staff vacancies and agency contracts ending earlier than originally forecast, and £0.25M application of winter grant funding. The £0.45M favourable movement since Quarter 2 relates to the application of winter grant funding of £0.25M and a £0.2M favourable movement in staff vacancies and agency contracts ending earlier than originally forecast.
Adults - Safeguarding AMH & OOH	0.14 A	As at Quarter 3, there is a forecast £0.14M adverse variance due to a £0.56M cost of packages of care, an £0.04M adverse variance due to the difference between the budgeted pay award uplift amount and the forecast amount as an outcome of the pay negotiations, partly offset by a £0.46M favourable variance due to vacant posts and delays in recruitment for Deprivation Of Living Standards (DOLS) and Best Interest Assessors (BIA). There has been a £0.10M favourable movement since quarter 2 due to an increase of £0.17M in vacancy management in recruitment for DOLS and BIA assessors due to challenges relating to filling posts under existing terms and conditions, partially offset by an adverse variance on the cost of packages of care of £0.07M.

		Work is ongoing to review and ensure care packages are proportionate to need to help mitigate against the overspend.
Housing Needs	0.83 A	As at Quarter 3, there is an adverse pressure which relates to anticipated temporary accommodation costs for 2023/24 of £1.16M. Homelessness levels have increased by over 150% since January 2023, putting pressure on temporary accommodation and irrecoverable housing benefit costs. This is partially offset by the use of Public Health grant to contribute to homelessness prevention measures of £0.18M, and additional funding for the Homes to Ukraine scheme of £0.15M. The movement since Quarter 2 is due to an increase in homelessness pressures of £0.9M, partially offset by the movements in Public Health of £0.18M and Homes for Ukraine funding of £0.15M.
ICU - Provider Relationships	0.20 F	As at Quarter 3, there is a forecast £0.20M favourable variance due to contract review savings having been finalised, and noting that some of the savings already identified are only for the current financial year. This has been reflected in the MTFS. There has been a £0.34M favourable movement since quarter 2 due to additional in year contract savings being identified.

6. CENTRALLY HELD BUDGETS

KEY REVENUE ISSUES – QUARTER 3 2023/24

Centrally held budgets are currently forecast to have a surplus of **£0.15M**, which represents a percentage variance against budget of **0.1%.** The forecast variance has moved adversely by **£0.40M** from the position reported at quarter 2.

	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Movement from Qtr 2 £M	% of budget
Centrally Held Budgets Forecast Outturn	**(230.77)**	**(230.92)**	**0.15 F**	**0.55 F**	**0.40 A**	**0.1%**

A summary of the centrally held budgets forecast variances and movement since quarter 2 is shown in the table below:

Service Area	Budget £M	Forecast Outturn £M	Forecast Variance Qtr 3 £M	Forecast Variance Qtr 2 £M	Variance Movement from Qtr 2 £M
Levies & Contributions	0.09	0.09	0.01 A	0.01 A	0.00
Capital Asset Management	9.86	9.75	0.11 F	0.11 F	0.00
Other Expenditure & Income	(19.14)	(18.75)	0.39 A	0.01 F	0.40 A
Council Tax	(115.51)	(115.51)	0.00	0.00	0.00
Business Rates	(49.14)	(49.14)	0.00	0.00	0.00
Non-Specific Government Grants & Other Funding	(56.93)	(57.36)	0.43 F	0.43 F	0.00
Total	**(230.77)**	**(230.92)**	**0.15 F**	**0.55 F**	**0.40 A**

The SIGNIFICANT issues for centrally held budgets are:

Service Area	Forecast Variance Qtr 3 £M	Explanation
Other Expenditure & Income	0.39 A	A contribution of £0.40M has been made to the Investment Risk Reserve to provide cover for a

		potential reduction in the valuation of the pooled property investment which would be a charge to the revenue budget in 2025/26 when the statutory override to not charge valuation changes to revenue until the investment is disposed ceases at the end of 2024/25. Further contributions to reserve of £0.40M in 2024/25 and 2025/26 are planned. This is offset by £0.01M favourable variance from unallocated receipts. The movement since Quarter 2 relates to the contribution to reserves.
Non-Specific Government Grants & Other Funding	0.43 F	Increase in Top-Up Grant for update of 2023 Business Rates Revaluation adjustment to reflect 2022/23 outturn for business rates.

Directorate and Service Area	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Children & Learning					
Child Friendly City	0.02	0.07	0.06 A	0.14 A	0.08 F
Children & Families First	2.72	2.32	0.40 F	0.07 A	0.47 F
Children Looked After	29.43	32.61	3.18 A	2.83 A	0.35 A
Divisional Management	1.80	1.52	0.28 F	0.27 F	0.01 F
DSG Central School Services Block	(0.06)	(0.06)	0.00 A	0.00 A	0.00 A
DSG Early Years Block	0.00	0.00	0.00	0.00	0.00
DSG High Needs Block	(0.00)	0.00	0.00 A	0.00 A	0.00 A
DSG Schools Block	(0.00)	0.00	0.00 A	0.00	0.00 A
Education - Home to school transport and property mgt	7.11	11.28	4.17 A	4.32 A	0.15 F
Education - Services for schools, High Needs	5.78	6.01	0.23 A	0.17 A	0.06 A
ICU - Children's Services	0.37	0.40	0.03 A	0.00	0.03 A
Legal (Children's)	0.60	0.36	0.24 F	0.00	0.24 F
Pathways	0.71	1.06	0.35 A	0.36 A	0.02 F
Quality Assurance Business Unit	2.40	2.34	0.06 F	0.03 A	0.09 F
Safeguarding	9.76	9.31	0.44 F	0.07 F	0.37 F
Young Peoples Service	2.68	2.67	0.01 F	0.08 A	0.09 F
Youth Offending	0.69	0.69	0.00 F	0.01 A	0.01 F
Total Children & Learning	**64.02**	**70.60**	**6.58 A**	**7.67 A**	**1.10 F**
Corporate Services					
Accounts Payable	0.26	0.57	0.32 A	0.26 A	0.05 A
Accounts Receivable	2.16	2.15	0.01 F	0.18 A	0.19 F
Business Support	1.78	2.12	0.35 A	0.17 A	0.18 A
Centrally Apportionable Overheads	(7.67)	(7.67)	0.00	0.00	0.00
Commercialisation	(0.29)	0.02	0.31 A	0.31 A	0.00
Corporate Finance	2.79	2.70	0.09 F	0.15 A	0.24 F
Corporate Management	0.24	0.31	0.07 A	0.05 A	0.02 A
Customer Services	2.20	2.19	0.01 F	0.01 A	0.02 F
Democratic Representation & Management	2.64	2.60	0.04 F	0.05 F	0.01 A
Facilities	0.73	0.95	0.22 A	0.07 A	0.15 A
Highways Contracts	7.92	8.45	0.53 A	0.14 F	0.67 A
HR Services	3.21	3.13	0.08 F	0.08 F	0.00
Internal Audit	0.34	0.27	0.07 F	0.00 A	0.07 F
IT Services	9.35	11.06	1.71 A	1.71 A	0.00
Land Charges	(0.17)	(0.17)	0.00	0.00	0.00
Legal Services & Customer Relations	1.93	1.86	0.07 F	0.05 F	0.01 F
Leisure Contracts	2.54	1.88	0.66 F	0.08 F	0.59 F
Local Taxation & Benefits Services	2.10	2.45	0.35 A	0.20 A	0.16 A
Net Housing Benefit Payments	0.00	0.00	0.00	0.00	0.00
Pension & Redundancy Costs	3.27	3.04	0.23 F	0.23 F	0.00
Registration of Electors and Elections Costs	0.63	0.68	0.05 A	0.00 A	0.04 A
Risk Management	1.68	1.63	0.05 F	0.00 A	0.05 F
Supplier Management Services	1.59	1.36	0.23 F	0.14 F	0.09 F
Total Corporate Services	**39.23**	**41.58**	**2.35 A**	**2.35 A**	**0.01 A**

Directorate and Service Area	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Place					
Air Quality Monitoring	0.24	0.22	0.01 F	0.01 F	0.00 F
Central Repairs & Maintenance	2.09	2.55	0.47 A	0.20 A	0.27 A
City Development	0.31	0.48	0.18 A	0.18 A	0.00
City Services - Commercial Services	0.18	0.14	0.04 F	0.04 F	0.00
City Services - District Operating Areas	4.20	4.57	0.37 A	0.30 A	0.07 A
City Services - Trees & Ecology	0.88	0.99	0.11 A	0.09 A	0.02 A
City Services - Waste Operations	16.80	15.64	1.16 F	0.77 F	0.39 F
City Services – Management & Compliance	0.50	0.53	0.03 A	0.03 A	0.00
CPRES - Bereavement Services	0.05	0.20	0.15 A	0.11 A	0.04 A
CPRES - Environmental Health & Scientific Services	1.56	1.42	0.14 F	0.10 F	0.04 F
CPRES - Licensing	(0.09)	(0.05)	0.04 A	0.01 A	0.03 A
CPRES - Parking & Itchen Bridge	(8.14)	(8.91)	0.77 F	0.46 F	0.31 F
CPRES - Port Health	(0.63)	(0.30)	0.32 A	0.19 A	0.13 A
CPRES - Private Sector Housing	0.34	0.33	0.01 F	0.00 A	0.02 F
CPRES - Registration Services	(0.20)	(0.19)	0.01 A	0.01 A	0.00 A
Cultural Services	2.17	1.93	0.24 F	0.18 F	0.06 F
Economic Development	0.07	0.14	0.07 A	0.08 A	0.01 F
Emergency Planning	0.13	0.09	0.04 F	0.02 F	0.01 F
Energy Team	0.05	0.01	0.04 F	0.00 A	0.04 F
Fleet Trading Area	(1.74)	(1.43)	0.31 A	0.44 A	0.13 F
Flood Risk Management	0.21	0.15	0.06 F	0.06 F	0.00 F
Health & Safety	0.27	0.30	0.03 A	0.03 A	0.00
Landscape Trading Area	0.06	0.16	0.10 A	0.10 A	0.00
Libraries	1.83	1.91	0.09 A	0.03 A	0.05 A
Place Management	(0.10)	0.19	0.28 A	0.28 A	0.00
Planning	0.35	0.96	0.61 A	0.60 A	0.01 A
Property Portfolio Management	(6.96)	(6.77)	0.19 A	0.04 A	0.14 A
Property Services	8.86	7.65	1.21 F	0.47 F	0.73 F
Skills	0.07	0.07	0.00 A	0.00 A	0.00 F
Skills, Regeneration & Partnership	0.44	0.43	0.02 F	0.02 F	0.00 A
Transportation	4.80	4.66	0.14 F	0.14 F	0.00 F
Total Place	**28.59**	**28.07**	**0.52 F**	**0.47 A**	**0.99 F**
Strategy & Performance and CEO					
Business Development Management Team	0.20	0.20	0.00	0.00	0.00
Corporate Communications	0.93	0.96	0.02 A	0.06 A	0.04 F
Data & Intelligence	0.76	0.96	0.20 A	0.01 A	0.19 A
Projects, Policy & Performance	0.99	1.15	0.16 A	0.10 A	0.07 A
Strategic Management of the Council	0.76	0.71	0.05 F	0.05 F	0.00 A
Total Strategy & Performance and CEO	**3.65**	**3.98**	**0.33 A**	**0.11 A**	**0.22 A**

Directorate and Service Area	Budget Quarter 3 £M	Annual Forecast Quarter 3 £M	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement from Quarter 2 £M
Wellbeing & Housing					
Adults - Adult Services Management	1.16	0.90	0.25 F	0.00 F	0.25 F
Adults - Long Term	45.14	49.16	4.02 A	3.54 A	0.48 A
Adults - Provider Services	4.29	3.85	0.44 F	0.01 A	0.45 F
Adults - Reablement & Hospital Discharge	8.80	8.15	0.64 F	0.20 F	0.45 F
Adults - Safeguarding AMH & OOH	14.02	14.16	0.14 A	0.24 A	0.10 F
Community Safety, Alcohol Related Crime, CCTV	0.30	0.26	0.04 F	0.02 F	0.02 F
Domestic Violence	0.56	0.57	0.02 A	0.02 A	0.01 F
Grants to Voluntary Organisations	0.54	0.46	0.08 F	0.00	0.08 F
Housing Needs	2.96	3.79	0.83 A	0.26 A	0.57 A
ICU - Provider Relationships	14.94	14.74	0.20 F	0.14 A	0.34 F
ICU - System Redesign	1.63	1.62	0.01 F	0.10 A	0.12 F
Leisure Strategy	0.10	0.11	0.00 A	0.00 A	0.00
Public Health - Health Improvement	1.70	1.70	0.00	0.00	0.00
Public Health - Health Protection and Surveillance	9.80	9.80	0.00	0.00	0.00
Public Health - Management & Overheads	(15.28)	(15.28)	0.00 F	0.00 F	0.00
Public Health - Non-ringfenced	0.19	0.19	0.00	0.00	0.00
Public Health - Population Healthcare	3.77	3.77	0.00	0.00	0.00
Social Fund & Property	0.18	0.18	0.00	0.00	0.00
Stronger Communities	0.52	0.42	0.10 F	0.09 F	0.01 F
Travellers Sites	(0.04)	(0.04)	0.00	0.00	0.00
Total Wellbeing & Housing	**95.28**	**98.52**	**3.23 A**	**4.01 A**	**0.77 F**
Total Directorates	**230.77**	**242.75**	**11.98 A**	**14.61 A**	**2.63 F**

Portfolio
Children & Learning
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Portfolio
Environment & Transport
Economic Development
Economic Development
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Safer City
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Finance & Change
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Leader

Portfolio
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Adult Social Care & Health
Safer City
Safer City
Communities & Leisure
Housing
Adult Social Care & Health
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Adult Social Care & Health
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Communities & Leisure
Communities & Leisure
Safer City

Directorate previously agreed savings and in-year cost control measures

Directorate	Ref	Description	2023/24 £000	Full Saving to be achieved £000	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest £000	There is a large risk that more than 25% of the target will not be achieved £000	The saving will not be achieved £000
Children & Learning	24S207	Virtual school, do not recruit to vacant post	(44)	(44)			
Children & Learning	24S208	Focus School Improvement Funding	(42)	(42)			
Children & Learning	24S209	Virtual School - Utilise additional funding	(15)	(15)			
Children & Learning	24S210	Music Service income increase.	(15)	(15)			
Children & Learning	24S211	Not use surplus from Holiday Activities Fund.	(7)	(7)			
Children & Learning	24S212	Maximise impact of Family Hubs grant.	(419)	(419)			
Children & Learning	24S213	Maximise Supporting Families payment by results claim.	(81)	(81)			
Children & Learning	24S214	Non recruitment of vacant posts within SEND	(59)	(59)			
Children & Learning	24S242	Reduction in training and conference costs.	(21)	(21)			
Children & Learning	24S249	Early saving from moving to Family Safeguarding Model	(72)	(72)			
Children & Learning	24S288	Fostering and Adoption Service redesign.	(107)	(107)			
Children & Learning	24S289	BRS Service redesign.	(100)	(100)			
Children & Learning	24S290	Safeguarding Service redesign.	(88)	(88)			
Children & Learning	24S291	Quality Assurance Unit redesign.	(87)	(87)			
Children & Learning	24S292	Language Service redesign.	(19)	(19)			
Children & Learning	24S293	Reduce music service management costs	(23)	(23)			
Children & Learning	24S294	Holiday Activities and Food efficiencies	(13)	(13)			
Children & Learning	24S354	Reduce No Recourse to Public Funds spend	(62)	(62)			
Children & Learning	24S355	Cease outsourced contacts	(47)	(47)			
Children & Learning	24S356	Reduction in translation costs	(96)	(96)			
Children & Learning	24S357	Reduce taxi costs through use of sessional workers and service participation in the corporate taxi project	(50)		(50)		
Children & Learning	24S358	Reduce Preventative spend back to budget	(225)	(225)			
Children & Learning	24S360	Reduce Care costs (net) by 4 per month	(664)		(664)		
Children & Learning	24S361	Rigorously monitor claims to Home Office to support increased number of UASC.	(211)	(211)			
Children & Learning	24S362	Reduce by one residential place every 2 months	(702)		(702)		
Children & Learning	24S363	Bring ADM (Agency Decision Maker) role in house	(7)	(7)			
Children & Learning	24S364	Reduce accommodation costs for care leavers	(180)	(180)			
Children & Learning	24S365	Children & Learning - average 31 agency staff for the whole of 23/24	(2,628)	(2,628)			
Children & Learning	24S366	Cease Tripod costs (re: overseas recruitment)	(390)	(390)			
Children & Learning	24S367	Cease Consultancy costs	(176)	(176)			
Children & Learning	24S368	Control salary overpayments	(57)	(57)			
Children & Learning	24S369	Reduce project costs through focus on 6 priorities and BAU	(113)	(113)			
Children & Learning	24S390	Increasing offset with Family Hubs grant	(27)	(27)			

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			£000	£000	£000	£000	£000
Children & Learning	24S391	Non recruitment of vacant posts within the contact team	(60)		(60)		
Children & Learning	24S463	Education Property budget no longer needed re academisation	(135)	(135)			
Children & Learning	24S491	Music Service income increase.	(34)	(34)			
Children & Learning	23S160	Redesign of Young People's, Missing, Exploited, Trafficked and Youth Justice Service	(111)				(111)
Children & Learning	23S161	Reduction of one post in the Placements Service	(44)		(44)		
Children & Learning	23S165	Creation of framework agreement for temporary accommodation to support no recourse to public funds/homeless families	(10)		(10)		
Children & Learning	23S151	Review non-staffing budgets that supports families in need	(15)		(15)		
Children & Learning	23S157	Increase public health funding for the PAUSE service which is preventing women having repeat removals of children to care	(72)		(72)		
Children & Learning	23S170	Review of Asset management budgets within Education portfolio	(60)	(60)			
Children & Learning	23S173	Review of Education non-staffing budgets	(47)	(47)			
Children & Learning	23S159	Freeze Children and Learning Service Workforce Academy spending on promotional materials and staff conferences	(20)		(20)		
Children & Learning	23S209	Ensure appropriate application of contractual car user policy	(8)		(8)		
Children & Learning	22S1	Children's Social Care - residential unit projections	(13)			(13)	
Children & Learning	22S2	Children's Social Care - agency reductions	(1,052)		(1,052)		
Children & Learning	22S5	Fostering	(356)			(356)	
Children & Learning	22S7	Looked After Children projections	(3,744)	(3,744)			
Children & Learning		Children's Services - LGA Review	(1,854)		(1,854)		
Children & Learning		SEND Staffing	(159)	(159)			
Children & Learning	22S51	Education psychologists	(25)		(25)		
Children & Learning	22S52	Home to school transport	(60)			(60)	
Sub-Total Children & Learning			**(14,725)**	**(9,610)**	**(4,576)**	**(429)**	**(111)**

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Corporate Services	24S143	Extend street lighting switch off from current hours to 00:30 – 05:30	(125)	(125)			
Corporate Services	24S225	IT savings to meet pressures	(350)	(350)			
Corporate Services	24S277	Increased Top Up Grant following change of NNDR3 return	(432)	(432)			
Corporate Services	24S281	Minimum Revenue Provision (MRP)	(72)	(72)			
Corporate Services	24S282	In Year reduced premiums as 6 schools opt out of Council insurance arrangements	(5)	(5)			
Corporate Services	24S138	Removal of remaining Find and Fix gang	(114)	(114)			
Corporate Services	24S489	Delay S24149 saving in current year to next financial year.	20	20			
Corporate Services	24S124	Added years pensions adjustment	(230)	(230)			
Corporate Services	24S125	Amend staff time charging	(12)	(12)			
Corporate Services	24S126	Charge various grants for finance staff time including overheads	(25)	(25)			
Corporate Services	24S127	Charge Finance Business Partner work on school improvement to the associated grant	(5)	(5)			
Corporate Services	24S128	Unallocated receipts over 2 years old, credited as a saving (**budget held centrally**)	(10)	(10)			
Corporate Services	24S129	Low claims rebate on property insurance	(28)	(28)			
Corporate Services	24S130	Staff changes in Insurance Team	(5)	(5)			
Corporate Services	24S131	Reduction in insurance premiums	(30)	(30)			
Corporate Services	24S132	Slippage factor (C £2M) for capital programme - reduction in capital financing costs (**budget held centrally**)	(80)	(80)			
Corporate Services	24S133	Reduction in bad debt provision general debt (NB 22/23)	(150)	(150)			
Corporate Services	24S134	Reduction in investment property bad debt provision (NB 22/23)	(72)	(72)			
Corporate Services	24S135	Legal Service removal of 1 Apprentice Legal Services Officer post	(15)	(15)			
Corporate Services	24S136	Legal Service removal of 1 Childcare Solicitor post	(65)	(65)			
Corporate Services	24S137	Legal Service S106 income increase	(15)	(15)			
Corporate Services	24S140	Recharge work on capital projects by Supplier Management to the capital programme	(31)	(31)			
Corporate Services	24S141	Find and fix rebate from Balfour Beatty	(29)	(29)			
Corporate Services	24S144	Recovery of funding paid on account (Leisure)	(75)	(75)			
Corporate Services	24S145	Support Services - Delete vacancy (Grade 10)	(60)	(60)			
Corporate Services	24S149	Facilities Management - Centralisation of cleaning	(20)	(20)			
Corporate Services	24S150	Facilities Management remove vacant cleaner post	(20)	(20)			
Corporate Services	24S151	Facilities Management - changes to building security arrangements	(5)	(5)			

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Corporate Services	24S152	Customer Experience - automation of processes	(19)	(19)			
Corporate Services	24S153	Customer Ops - Deletion of citizen service apprentice post	(26)	(26)			
Corporate Services	24S154	HR & OD - Organisational Design Officer Grade 8 0.4 FTE vacancy removed	(19)	(19)			
Corporate Services	24S155	HR & OD - Payroll and Pensions Admin Assistant Grade 6 1 FTE vacancy removed	(35)	(35)			
Corporate Services	24S156	HR & OD - HR Business Partner Grade 10 post seconded to transformation	(60)	(60)			
Corporate Services	24S157	HR & OD - Further reduce Organisational Design budget for management development	(6)	(6)			
Corporate Services	24S327	Reduction in Mobile Phone costs	(125)	(125)			
Corporate Services	23S195	Review fees & charges across the Council	(165)	(165)			
Corporate Services	21S111	Review pricing strategy	(250)	(250)			
Corporate Services	21S56	City lottery proposal	(40)				(40)
Corporate Services		Commercialisation Target - General	(230)				(230)
Corporate Services	21S90	Enhancement of Salary Sacrifice Scheme	(42)			(42)	
Corporate Services	21S121	Business Support	(133)		(133)		
Corporate Services	21S121	Business Support	(24)	(24)			
Corporate Services	21S121	Business Support	(10)	(10)			
Corporate Services	23S58	Improve and automate business support processes as part of transformation programme	(229)	0			(229)
Corporate Services	21S121	Business Support	(60)	(60)			
Corporate Services	23S213	Improve performance on recovering duplicate payments	(65)		(65)		
Corporate Services	19-MSC 12	Charging for Appointeeship service	(26)				(26)
Corporate Services	20S28	IDEA including Duplicate Payments	(50)				(50)
Corporate Services	21S60	Renegotiate payment terms with suppliers	(25)				(25)
Corporate Services	21S55	Greater use of purchase cards	(115)				(115)
Corporate Services	21S108	Finance and Commercialisation Directorate – cost reduction	(37)				(37)
Corporate Services		Deferred Payments Income	(8)				(8)
Corporate Services	19-MSC 7	Introduce fees to cover the cost of Universal Deferred Payment Scheme, which extends loans to adult social care clients in residential care	(14)				(14)
Corporate Services	21S108	Finance and Commercialisation Directorate – cost reduction	(118)				(118)
Corporate Services	17-MSCBAU	Reduction in cost of collecting council tax and business rates and review of bad debt provisions	(600)	(440)			(160)
Corporate Services	23S89	Review the Digital and Customer Experience budget	(5)	(5)			
Corporate Services	23S205	Efficiency from Civic Centre energy controls	(60)				(60)

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			£000	**£000**	**£000**	**£000**	**£000**
Corporate Services	23S80	Closure of the Civic Centre between the winter bank holidays to reduce building management costs (heating etc.)	(8)	0			(8)
Corporate Services	23S81	A restructure of the Facilities Management Team to realise efficiencies	(50)	0			(50)
Corporate Services	23S82	A reduction in available budget for equipment within the Facilities Management Team	(31)	0			(31)
Corporate Services	23S83	Spending less on external building security provisions with external providers	(20)			0	(20)
Corporate Services	23S84	Closing areas of Civic Centre office spaces on one day a week in line with demand to reduce building running costs	(20)	0			(20)
Corporate Services	23S85	Consolidation of building cleaning activities and resources under one contract to bring efficiencies / economies of scale including the Civic Centre	(60)	0			(60)
Corporate Services	23S183	Reduce spend within Finance on postage, subscriptions and conferences	(14)	(14)			
Corporate Services	23S184	Redesign of Finance service, including removal of vacant posts	(42)	(42)			
Corporate Services	23S184	Redesign of Finance service, including removal of vacant posts	(120)		(60)		(60)
Corporate Services	23S206	Local Government Pension Scheme revaluation contribution: SCC funding level remains at 105%, but additional gain above that can be applied in the form of contribution reductions	(1,330)	(1,330)			
Corporate Services	21S108	Finance and Commercialisation Directorate – cost reduction	(151)	(43)			(107)
Corporate Services	21SS	Staff travel, office consumables, postage etc savings	(32)			0	(32)
Corporate Services	21S124	Temp staff/agency workers etc savings	(39)				(39)
Corporate Services	21S121	Business Support	(12)	(12)			
Corporate Services	23S76	Redesign of the Human Resources & Organisational Development service following the senior management restructure	(154)	(154)			
Corporate Services	23S50	Legal Services staffing restructure	(54)	(54)			
Corporate Services	23S51	Stop using the DX postal service	(9)	(9)			
Corporate Services	23S52	Reduction in Legal Services books budget to essential texts only	(10)	(10)			
Corporate Services	23S53	Reduction in Legal Services attendance at external courses to mandatory only	(2)	(2)			
Corporate Services	23S54	Deletion of Records Management part-time post	(13)	(13)			
Corporate Services	23S55	Deletion of apprentice post within Complaints Team after end of current fixed term contract	(24)	(24)			
Corporate Services	23S56	Increase income for Legal Services work on S106 agreements	(5)	(5)			

Directorate	Ref	Description	2023/24	Full Saving to be achieved	There is a risk that up to 25% will not be achieved but there are plans in place to achieve the rest	There is a large risk that more than 25% of the target will not be achieved	The saving will not be achieved
			£000	£000	£000	£000	£000
Corporate Services	23S57	Review potential for a new legal services partnership with new partner council	(60)	(60)			
Corporate Services	23S193	Reduce 1 Internal Audit from full-time to part-time - to reflect actual staffing level	(20)	(20)			
Corporate Services	23S40	IT - Staffing - post restructure review	(90)		(90)		
Corporate Services	23S43	Remove MS Visio licenses	(4)	(4)			
Corporate Services	23S45	Tether (share) connectivity from one mobile device to another to reduce the number of mobile SIM contracts needed	(12)	(12)			
Corporate Services	23S46	Review all parking permits and remove where roles have changed and no longer required	(4)	(4)			
Corporate Services	23S47	Reduce the number of multi function devices by 50% when the contract is renewed and use print management tools to minimise the impact on staff	(75)	(75)			
Corporate Services	23S48	Rationalise the number of mobile SIM contracts in use across the Council	(66)	(66)			
Corporate Services	23S49	Migrate remaining users from the Avaya phone system to Teams telephony and decommission the Avaya system.	(70)	(70)			
Corporate Services		IT Major Projects - Anticipated Revenue Savings	(200)			0	(200)
Corporate Services	22S14	Stretch Contract Management and Procurement Savings	(200)		(200)		
Corporate Services	23S186	Look at options for energy cost efficiency and environmental benefit, through part-night residential street lighting - see Annex 1.7 for further details	(428)		(428)		
Corporate Services	23S202	Procurement savings to be made across Council services on revenue contracts (further savings on capital contracts are expected)	0				
Corporate Services	21Sf	Procurement and contract management savings	(200)		(40)		(160)
Sub-Total Corporate Services			**(8,283)**	**(5,326)**	**(1,016)**	**(42)**	**(1,899)**

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Place	24S7	Reduction in museums rateable value	(225)	(225)			
Place	24S75	Golf Course - increased income from change in VAT treatment	(120)	(120)			
Place	24S159	Off Street Parking - Increased income position based on prior year outturn	(250)	(250)			
Place	24S160	Vacancy saving in Environmental Health	(10)	(10)			
Place	24S181	Rebased waste income budgets for recycling (Dry Mixed Recyclables & Glass)	(200)	(200)			
Place	24S186	Bus Shelter Advertising Income from profit share	(60)	(60)			
Place	24S189	Align Dial A Ride Service budget to current provision	(25)	(25)			
Place	24S260	Vacancy saving in Bereavement Services	(16)	(16)			
Place	24S264	Absorb additional food safety inspections within existing budget	(45)	(45)			
Place	24S285	Vacancy saving in Estates Regeneration	(18)	(18)			
Place	24S303	Vacancy saving in Libraries (non-frontline)	(5)	(5)			
Place	24S305	Increase income by Archaeology Unit	(134)	(134)			
Place	24S306	Reduce Events (subscriptions) Budget	(14)	(14)			
Place	24S308	Delete Strategic Projects Budget	(46)	(46)			
Place	24S310	Increase income generation in museums and gallery	(48)	(48)			
Place	24S312	Integrated Transport - FTE reduction and maximise recharge for work on capital projects	(58)	(58)			
Place	24S313	Integrated Transport -Reduced Studies Budget	(43)	(43)			
Place	24S315	Reduction in concessionary fares budget in 23/24 to reflect forecast spend	(59)	(59)			
Place	24S316	Flood Risk Management - Service Reduction	(60)	(60)			
Place	24S317	Bus Stop Maintenance Budget - fund from capital not revenue	(12)	(12)			
Place	24S187	Reduce Arts Complex budget	(33)	(33)			
Place	24S192	Moving Traffic Enforcement - Income	(75)	(75)			
Place	24S262	Increase income generation for Bereavement Services through increased supply chain engagement	(22)	(22)			
Place	24S266	Increase income through new Registration Services venue	(10)	(10)			
Place	24S271	Increase of charges to simplify and uplift tariffs - City Centre Car parks	(284)	(284)			
Place	24S273	On Street Tariff review	(100)	(100)			
Place	24S286	Service Redesign - Construction project delivery	(235)	(235)			
Place	24S287	Service Redesign - Design Team	(305)	(305)			
Place	24S349	Reduction in energy costs due to movements in the energy market	(250)	(250)			

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Place	24S410	Off Street Parking - Increased income position based on Quarter 1 position	(120)	(120)			
Place	24S411	Allotment income	(30)	(30)			
Place	24S414	Remove Waste Transformation budget	(332)	(332)			
Place	24S476	Rebase Golf Course budget	(100)	(100)			
Place	24S490	Rebased waste income budgets for recycling (Dry Mixed Recyclables & Glass)	(80)	(80)			
Place	23S100	Fleet Operations - savings to be achieved through reduced repair costs as newer vehicles come on line, and a service redesign to introduce a more resilient management structure and efficient operating model. All staffing reductions to be achieved by not filling vacancies.	(120)	(120)			
Place	23S101	Review of the central street cleansing team in line with saving opportunities supported by the introduction of solar bins and a re-focussed city-wide task team	(28)	(28)			
Place	23S103	Move to a commissioning model for the Landscaping team to support the delivery of SCC capital projects and concentrate internal delivery on external contracts where full costs can be recovered and capitalised, and more commercial contracts can be supported	(255)	(155)		(100)	
Place	23S11	Increase income from the City Golf Course	(70)	(70)			
Place	23S99	Install additional solar compactor bins across the city and reduce open litter bins to enable more efficient collection, reduce scavenging by animals and rodents and prevent wind blown litter	(30)		(30)		
Place	23S130	Itchen Bridge fees for non-residents - increase of 20p and 10p (peak and off peak) from April 2023, subject to Traffic Regulation Order consultation and response	(400)	(400)			
Place	23S132	Remove concessions for Itchen Bridge charges for electric vehicles, subject to Traffic Regulation Order consultation and response	(10)	(10)			
Place	23S133	Reinstate multi-storey car park evening charges	(20)	(20)			
Place	23S134	Increase income from cremation	(100)	(100)			
Place	23S137	Increase burial income	(25)	(25)			
Place	23S138	Increase the number of ceremonies being undertaken by the Registration Service	(25)	(25)			
Place	23S139	Review allocation of staffing costs between on street and off street parking	(30)	(30)			

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Place	23S141	One-off contribution from Trading Standards South East	(70)	(70)			
Place	23S143	Review/simplification of parking tariffs	(187)		(187)		
Place	23S115	Increased museum income from various streams	(48)	(48)			
Place	23S119	Transfer Cobbett Road Library to a third party operator (subject to fulfilling Council requirements)	(70)		(59)	(11)	
Place	23S212	Founding partner contributions to Cultural Trust to deliver City of Culture legacy will be made from existing budgets	(82)	(82)			
Place	23S26	Integrate the courier service with wider post room activities within the Civic Centre as part of the Business Support service review and new income generation opportunities	(35)	(35)			
Place	23S27	Revenue savings from road safety review	(19)	(19)			
Place	23S28	Review in Transport Policy studies budget	(81)	(81)			
Place	23S29	Extension of e-scooter trials to 2024 and generate income via third party contract	(50)	(50)			
Place	23S30	Progression of the Coastal Partners partnership arrangement and review of Flood Team studies budget	(22)		(22)		
Place	23S31	Review of the Green Cities studies budget	(7)	(7)			
Place	23S9	Concessionary fares - reduced operator claims linked to reduced demand and payments on actual patronage	(1,787)	(1,787)			
Place	23S32	Investigate options for an increase to the S106 administration fee	(5)	(5)			
Place	23S33	Building Control review of budget and reserves	(25)	(25)			
Place	23S39	Review the Strategic Skills non-staffing budgets	(13)	(13)			
Place	23S16	Restructure the Property service area to remove long-term vacancies and conversion of interim posts to permanent positions	(370)	(370)			
Place	23S17	Review training and supplies budgets within the Property service area	(15)	(15)			
Place	23S18	Capitalise structural repairs and maintenance and fund from borrowing to create a one-off savings in revenue	(710)	(710)			
Place	23S19	Review property repairs and maintenance budget against essential spend criteria	(140)	(140)			
Place	23S20	Relocate services from One Guildhall Square into the Civic Centre and rent out vacated space	(300)	(300)			
Place	23S21	Maximise capitalisation of Property staff time spent on capital projects	(30)	(30)			
Place	23S22	Increase Property team's charge out hourly rates in line with salary increases	(40)	(40)			

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			£000	£000	£000	£000	£000
Place	22S34	Decarbonisation Measures	(273)	(273)			
Place	22S16	Bereavement Services Income Generation	(100)		(100)		
Place	22S9	Cultural Services Venues (Income) - stretch target	(220)	(220)			
Place	22S18	Port Health Income	(30)				(30)
Place	22S49	Income from Dry Mixed Recyclables	(200)	(200)			
Place		Income budgets to be rebased	(140)	(140)			
Place		Reduction of 15% in pressures - additional savings to find	(69)	(69)			
Place	19-AMC 21	Reduce number of bins and replace with 'smart' compactor bins to reduce collection costs	(100)			(100)	
Sub-Total Place			**(9,775)**	**(9,136)**	**(398)**	**(211)**	**(30)**
Strategy & Performance and CEO	24S258	Reduction to Leader's budget	(53)	(53)			
Strategy & Performance and CEO	23S174	Review agency staff spend in Intelligence, Innovation & Change Team	(40)	(40)			
Strategy & Performance and CEO	23S176	Review of policy related roles across the organisation to understand any synergies and whether additional income can be obtained through funding opportunities	(75)				(75)
Strategy & Performance and CEO	23S177	Delete vacant post within Intelligence, Innovation & Change Team	(44)	(44)			
Strategy & Performance and CEO	23S86	Generate income from outdoor advertising being managed on council land	(50)	(50)			
Strategy & Performance and CEO	23S87	Improve efficiency of printing across the organisation	(30)	(30)			
Strategy & Performance and CEO	23S88	Marketing and advertising activity efficiencies	(20)	(20)			
Strategy & Performance and CEO	23S58	Improve and automate business support processes as part of transformation programme	(61)			(61)	
Strategy & Performance and CEO	23S8	Senior management restructure	(258)	(258)			
Strategy & Performance and CEO	21S121	Business Support	(10)	(10)			
Sub-Total Strategy & Performance and CEO			**(641)**	**(505)**	**0**	**(61)**	**(75)**

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			£000	£000	£000	£000	£000
Wellbeing & Housing	24S224	Stronger Communities Holding vacant posts	(40)	(40)			
Wellbeing & Housing	24S259	Savings arising from negotiations on inflationary uplift applied to care provision costs	(1,380)	(1,380)			
Wellbeing & Housing	24S407	Wellbeing & Housing agency review	(200)	(200)			
Wellbeing & Housing	24S415	Additional Government funding to meet Adult Social Care cost pressures (Market Sustainability Grant)	(1,687)	(1,687)			
Wellbeing & Housing	24S457	Stronger Communities Holding vacant posts - month 5 update to saving number 224	(50)	(50)			
Wellbeing & Housing	24S511	Repurposing of public health grant for employment support in delivery of public health outcomes (resulting in saving for ASC)	(38)	(38)			
Wellbeing & Housing	24S512	Repurposing of public health grant for employment support in delivery of public health outcomes (resulting in saving for ICU)	(138)	(138)			
Wellbeing & Housing	23S92	Use the results of the Association of Directors of Adult Social Services peer review to reduce costs for Adult Social Care continuing healthcare/S117 aftercare	(100)	(100)			
Wellbeing & Housing	23S95	Adult Social Care - shift to home first policy, avoiding need for residential placement	(134)	(134)			
Wellbeing & Housing	23S97	Adult Social Care - reduce agency staffing budgets/freeze vacancies	(850)	(850)			
Wellbeing & Housing	23S142	Review need for vacant Community Safety Warden post	(35)	(35)			
	23S98	Proposal for Public Health Grant to be invested in activities delivering w	(500)	(500)			
	23S145	Meet homelessness service staff costs from ringfenced grant funding	(500)	(500)			
	22S40	Adult Social Care - Contract Reviews	(1,044)	(1,044)		0	
Sub-Total Wellbeing & Housing			**(6,696)**	**(6,696)**	**0**	**0**	**0**
Total Directorate Savings			**(40,120)**	**(31,273)**	**(5,990)**	**(743)**	**(2,115)**

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Treasury Management

Borrowing and Investments

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

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

2. **Table 1 - Borrowing and Investments**

	31-Mar-23 Actual £M	31-Mar-23 Average Yield / Rate %	31-Dec-23 Actual £M	31-Dec-23 Average Yield / Rate %	31-Mar-24 Forecast £M	31-Mar-24 Forecast Average %
Long Term Borrowing						
Public Works Loan	289.19	3.52	283.40	3.45	350.70	3.03
LOBO Loans from Banks	9.00	4.86	4.00	4.86	4.00	4.85
	298.19	**3.63**	**287.40**	**3.56**	**354.70**	**3.07**
Short Term Borrowing						
Other Local Authorities	5.00	3.36	20.00	5.79	20.00	5.79
Total External Borrowing	**303.19**	**2.96**	**307.40**	**2.96**	**374.70**	**3.17**
Other Long Term Liabilities						
PFI Schemes	44.37	9.56	43.55	9.56	41.08	9.82
Deferred Debt Charges (HCC)	12.73	3.27	12.73	3.27	12.37	4.98
Total Gross External Debt	**360.29**	**4.08**	**363.68**	**4.08**	**428.15**	**4.00**
Investments:						
Managed In-House						
Government & Local Authority	(11.06)	4.05	0.00	0.00		
Cash (Instant access)	(15.49)	4.08	(23.75)	5.32	(20.00)	5.40
Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Bonds	(1.01)	5.27	(1.03)	5.27	(1.00)	5.27
Managed Externally						
Pooled Funds (CCLA) & Shares	(27.00)	4.04	(27.00)	4.56	(27.00)	3.00
Total Investments	**(54.56)**	**4.08**	**(51.78)**	**4.59**	**(48.00)**	**4.05**
Net Debt	**305.73**		**311.90**		**380.15**	

3. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net borrowing is expected to increase by £74.42M, to £380.15M, a reduction of £7.1M from the last reported position of £387.25M, due to a reduction in proposed draw on balances.

This forecast remains subject to change; most notably regarding the increased use of balances, (which increase borrowing need as use of internal borrowing will reduce) and changes to the capital programme, which due to the current financial environment is subject to ongoing review against the backdrop of rising inflation (which is significantly increasing construction costs) and rising interest rates which has seen the cost of borrowing increase dramatically in the last year.

4. The interest cost of financing the council's long 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.	As of December 2023, the forecast cost of financing the council's loan debt is £20.45M of which £5.88M 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.	As outlined in the treasury strategy, the Authority's primary objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
7.	Interest rates have seen substantial rises over the last two years, although these rises began to plateau in the later months of 2023. Rates over the last 3 quarters were at the peak between June and October, since then they have fallen back to lows last seen in April 2023. Gilt yields have remained volatile, facing upward pressure following signs that UK growth had been more resilient and inflation stickier than expected. However more recent signs of slowing inflation and the perception of an increasingly struggling economy have now begun to change this sentiment, resulting in falling gilt yields and, consequently, PWLB rates. On 31st December, the PWLB certainty rates for maturity loans were 4.19% for 10-year loans, 4.90% for 20-year loans and 4.67% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively
8.	A new PWLB HRA rate which is 0.4% below the certainty rate has been made available from 15th September 2023. This rate will now be available until to June 2025. The discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Authority's £10.3M loans relating to the HRA maturing during this time frame.
9.	The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority does not intend to do this and will therefore retain its access to PWLB loans.
10.	**Loans restructuring**: The sharp rise in gilt yields over the past 18 months has now resulted in some of the Authority's loans being in or close to a discount position if repaid early. However, as the prepaid loans would need to be replaced by new loans at higher interest rates, this isn't a cost-effective option for the Authority.
11.	**LOBO loans**: LOBO (Lender's Option Borrower's Option) loans are where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost. As reported previously with market interest rates having risen, the probability of LOBOs being called increased and in September one lender exercised their option to increase the rate. The proposed increase from 4.94% to 6.11% was not deemed acceptable, given lower market rates, so in consultation with our treasury management advisors Arlingclose, the £5M loan was repaid and is currently being financed by temporary borrowing from other local authorities.

	We currently have £4M remaining in LOBO loans and all have call dates within the next 12 months, we will continue to monitor and liaise with Arlingclose over the likelihood of the options being exercised and take appropriate action.
12.	**Short-term borrowing:** cost increased with the rise in Bank Rate in July and August, and we took out £20M (5.79%) of short term debt during this period and anticipate further borrowing before year end. Rates have fallen slightly since the bank of England maintained the base rate at its meeting on 20th September and is currently around 5.65% for a 1 year loan. Any borrowing will be done in consultation with our advisors as although short term borrowing is currently higher than 25 year maturity debt at 5.27%, long term debt is expected to fall in the medium term and the overall cost needs to be considered.
13.	The Authority has an increasing CFR due to the capital programme, and after future debt maturities currently has an estimated borrowing requirement of £72.10M for the year, as determined by the Liability Benchmark, which considers capital spend, maturing debt, usable reserves and working capital and is summarised in Table 2 below.

Table 2 – Estimated Borrowing Requirement

	2023/24 £M	**Previous £M**	**Movement £M**
New Capital Expenditure	35.92	35.92	(0.00)
Repayment of Principle (MRP)	(8.69)	(8.69)	(0.00)
Maturing Debt	20.60	20.60	(0.00)
Movement in Resources	44.27	51.39	(7.12)
	92.10	**99.22**	**(7.12)**
New Borrowing Taken in Year	(20.00)	(20.00)	(0.00)
Cumulative Borrowing Need	**72.10**	**79.22**	**(7.12)**

	Investment
14.	Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority'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. As demonstrated in table 2 above, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
15.	The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year investment balances have ranged between £94.52M and £48.08M and are currently £51.78M and expected to reduce to £48M by year end.
16.	Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% in August. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.6% and 12-month rates to nearly 6.6%, although these rates subsequently began to reduce towards the end of the period. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of September and Money Market Rates between 4.2% and 5.35%, they have since fallen

	back in anticipation of an interest rate reduction during 2024. DMADF rates are currently 5.18% for a 3 month deposit. Due to shortage of cash availability in the LA to LA market rates have remained higher at 5.50% for a 3 month loan / deposit. Forecast income is now £2.99M, £1.15M higher than originally budgeted which helps to partly mitigate the increase in borrowing costs.
	Investment Performance
17.	The council's advisors undertake quarterly investment benchmarking across its client base. We previously had a more diversified portfolio and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and we have seen a fall in suitable instruments. With this in mind, and the changes to Prudential code to only borrow when cash flows dictate, our investments primarily now consist of a previous long-term investment in property funds and short term investments for cash flow purposes.
18.	Our current investment in bonds remains at £1M and we maintained the pooled property fund at £27M, with all other cash being placed in short term deposits as shown in table 1.
19.	As detailed in paragraph 15 our cash balances have continued to fall in line with yearend forecast and at £51.78M have reduced by £42.74M since highest point, when we held £94.52M. Our target is to reduce this to a £20M working balance to reduce borrowing and therefore net interest costs but this will be dependent on actual capital spend and movement in balances.
20.	Investments managed internally are currently averaging a return of 5.32% which is slightly higher than the average unitary authority at 5.13%, whilst maintaining a high credit rating at AAA compared to A+. Average LA returned 5.08% against a credit rating of A+. Total income returns at 5.03% is in line other unitary (5.06%) and the average for LA's (5.04%). As we are now operating on a cash flow basis for investm5nts to avoid higher borrowing costs we maintain a lower cash balances, £49.7M as opposed to £76.7M for other Unitaries and £72.8M for other Local Authority. Cash is performing well in the current financial environment. We hold 40% of our investments in strategic funds which offer higher return over the long term, as detailed in paragraphs 21 to 26, which is higher than the average but not unexpected as our cash flows have reduced. The capital value of our external strategic funds has fallen by a further £0.5M in the last quarter, which is consistent across all local authorities that hold funds in pooled property funds. The income return over the longer term was and remains the driver to invest, although this is kept under review.
	External Managed Investments
21.	The council has invested £27M in pooled 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. They 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.
22.	Because these funds have no defined maturity date but are usually available for withdrawal after a notice period (180 days), their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.
23.	Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

Considering their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained but will be monitored carefully especially as the statutory override on accounting for gains and losses on pooled investment funds ends on 31st March 2025, when any difference between initial investment and the current value will be a cost/gain to the Authority. Tables 3 and 4 below shows current value and income due in year together with the performance of the fund since we invested and how it has performed against cash.

We have ongoing discussions with Arlingclose about the implications for the investment strategy and what action may need to be taken, current advice is to give notice on part of the fund once we have seen two consecutive increases in the value of fund.

24. Investor sentiment for UK commercial property remained subdued with caution showed by buyers and sellers. With interest rates and bond yields remaining relatively high and investors demanding higher yields, property prices remained under pressure. The outlook for offices remains challenging from changing working practices. This was evident in the capital value of the CCLA fund which were below those in March and September.

The change in the funds' capital values and income earned over the 9-month period is shown in Table 3 below.

The dividend for this quarter is forecast to be slightly lower than previous quarter which included one off activity. Based on this the forecast dividend for the year is £1.29M.

Table 3 - Pooled Fund Performance (Year to Date)

Quarter Ending	Valuation £M	Movement since Reported in SOA	Dividends £M
1st April	25.80		
30th June	25.77	(0.04)	0.30
30th September	25.46	(0.34)	0.34
31st December	24.96	(0.84)	0.33 E
Total			0.97

25. As mentioned in paragraph 23 above investments in the CCLA were 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.

26. Table below shows that although the investment currently shows an unrealised capital loss of £2.04M at 31st December 2023, since investing we have earned dividends of £8.76M, a net return of £6.72M which equates to an annualised income return of 3.87% compared to the average bank rate of 0.97% for the same period. This also compares favourably to the investments that were made directly in property, which returned a net return of 2.13% after financing costs (excluding unrealised loss/gain).

STRATEGIC POOLED FUND PORTFOLIO	SOUTHAMPTON CITY	From:	01/05/2014	To:	31/12/2023

FUND NAME	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
CCLA - LAMIT PROPERTY FUND	24,960,725	-2,039,280	8,756,054	7.4	-7.55%	32.43%	24.88%	4.8%
GRAND TOTAL	24,960,725	-2,039,280	8,756,054	7.4	-7.55%	32.43%	24.88%	4.8%

Unrealised capital loss since purchase:	-2,039,280	Annualised income return:	3.87%
		Average Bank Rate:	*0.97%*

Non – Treasury Investments

27. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

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.

The rate of return on investment in 2022/23 before borrowing costs and other on-costs was 5.74%. Borrowing costs of 3.90% were incurred giving a net rate of return of 2.13% before any realised gains or losses.

All of the properties remain fully let and the tenants are meeting their financial obligations under the leases (although one tenant has vacated the premises but continues to honour the lease).

A full review of all the authority assets is underway and may result in the disposal of some or all of these assets. Further details will be included in the TM Strategy report for 24/25.

Details of the properties purchased are shown in table 4 below.

28. **Table 4 – Property Investment Fund**

Property	Actual	31.03.2022 Actual		31.03.2023 Actual		Outstanding Debt 31.03.2023	Outstanding Debt 31.03.2024
	Purchase Cost £M	Value in Accounts	Gain or (Loss) in Year	Value in Accounts	Gain or (Loss) in Year	£M	£M
Property 1	6.47	4.88	(0.33)	4.79	(0.09)	5.81	5.75
Property 2	14.69	11.64	1.32	10.61	(1.03)	13.18	13.05
Property 3	8.53	9.16	0.43	8.42	(0.74)	7.65	7.57
	29.69	**25.68**	**1.42**	**23.82**	**(1.86)**	**26.64**	**26.37**

Financial Review and Outlook

29. 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:

Table 5 - Arlingclose's Economic Outlook (December 2023 interest rate forecast)

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

30. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, for December 2023 is based on the following underlying assumptions:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

Economic background

31. UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.

July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

The BoE's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25 basis point rate rise. The Bank continues to tighten monetary policy through asset sales, as it reduces the size of its balance sheet. Financial market Bank Rate expectations moderated over the period as falling inflation

	and weakening data showed that higher interest rates were working in the UK, US, and Eurozone. Following the December MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point and spending will struggle. Higher rates will also impact exposed businesses; according to S&P/CIPS survey data, the UK manufacturing and construction sectors contracted during the quarter. The services sector recovered, however, with the PMI rising strongly in December, possibly due to improving consumer confidence. The US Federal Reserve held its key interest rate at 5.25-5.50% over the period. While policymakers continued to talk up the risks to inflation and therefore interest rates, this stance ebbed over the quarter culminating in a relatively dovish outcome from the December FOMC meeting. The European Central Bank continues to resist market policy loosening expectations, but the Eurozone CPI rate has fallen sharply as GDP growth as markedly slowed, hitting 2.4% in November (although rising to 2.9% on energy-related base effects).
	Financial Markets
32.	Financial market sentiment and bond yields remained volatile, but the latter rapidly trended downwards towards the end of 2023 on signs of sharply moderating inflation and economic growth. Gilt yields fell towards the end of the period. The 10-year UK benchmark gilt yield rose from 4.57% to peak at 4.67% in October before dropping to 3.54% by the end of December 2023. The Sterling Overnight Rate (SONIA) averaged 5.19% over the period.
	Credit Review
33.	Arlingclose maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period. In October, Moody's revised the outlook on the UK's Aa3 sovereign rating to stable from negative. This led to similar rating actions on entities that include an element of government support in their own credit ratings, including banks and housing associations. Local authorities were, however, downgraded on expectations of lower government funding. Following the issue of a Section 114 notice, in November Arlingclose advised against undertaking new lending to Nottingham City Council. After reducing its recommended duration on Warrington Borough Council to a maximum of 100 days in September, the local authority was subsequently suspended from the Arlingclose recommended list following a credit rating downgrade by Moody's to Baa1. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress, but no changes were made to recommended durations over the period. Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

	Consultations
34.	The Department for Levelling Up, Housing and Communities (DLUHC) issued two consultations in December. a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January. Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP. In its call for views on capital measures, Government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward. We are currently reviewing these consultations and will report back any action or changes required to our practices and procedures.
	Prudential Indicators
35.	As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators, which together with Capital Prudential Indicators can be seen in Appendix 4 (6 – 11): • Liability Benchmark • Maturity Structure of Borrowing • Long-term Treasury Management Investments • Security • Liquidity • Interest Rate Risk Indicator

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PRUDENTIAL INDICATORS QUARTER 3 2023/24

Appendix 6

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out several indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported quarterly.

1. Capital Financing Requirement

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 repayments and capital receipts used to replace debt.

Capital Financing Requirement	**31-Mar-23** **Actual** **£M**	**31-Mar-24** **Forecast** **£M**	**31-Mar-25** **Forecast** **£M**	**31-Mar-26** **Forecast** **£M**	**31-Mar-27** **Forecast** **£M**
Balance Brought forward	339.15	342.57	352.07	359.23	358.66
New Borrowing	14.53	21.85	21.04	13.27	28.33
MRP	(7.61)	(8.69)	(9.54)	(9.99)	(9.80)
Movement in Other Liabilities	(3.50)	(3.66)	(4.34)	(3.85)	(3.57)
Total General Fund Debt	**342.57**	**352.07**	**359.23**	**358.66**	**373.62**
HRA	174.88	190.95	232.03	281.55	293.04
Total CFR	**517.45**	**543.02**	**591.26**	**640.21**	**666.66**
Estimated Debt	360.29	428.15	477.32	524.25	544.78
Under / (Over) Borrowed	**157.16**	**114.87**	**113.94**	**115.96**	**121.88**

2. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt (including PFI, leases and HCC Transferred debt) does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

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. The Council's current strategy is only to borrow to the level of its net borrowing requirement.

The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

Gross Debt	**31/03/2023** **Actual** **£M**	**31/03/2024** **Forecast** **£M**	**31/03/2025** **Forecast** **£M**	**31/03/2026** **Forecast** **£M**	**31/03/2027** **Forecast** **£M**	**Debt at** **31/12/2023** **£M**
Total Debt	**360.29**	**428.15**	**477.32**	**524.25**	**544.78**	**363.68**
Capital Financing Requirement	**517.45**	**543.02**	**591.26**	**640.21**	**666.66**	
Under / (Over) Borrowed	**157.16**	**114.87**	**113.94**	**115.96**	**121.88**	

3. Debt and the Authorised Limit and Operational Boundary

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The S151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2023/24; borrowing at its peak was £312.90M plus other deferred liabilities of £57.10M.

4. Net Income from Commercial Investment to Net Revenue Stream (NRS)

The Authority's income from commercial investments as a proportion of its net revenue stream has been and is expected to be as indicated below. This shows that the Authority is not over dependent on income form investments.

	2022/23 Actual £M	2023/24 Forecast £M	2024/25 Forecast £M	2025/26 Forecast £M	2026/27 Forecast £M
Total net income from commercial investments	6.48	6.69	7.45	8.10	8.10
Net Revenue Stream GF	193.17	221.37	250.50	255.25	262.81
Proportion of NRS	**3.36%**	**3.02%**	**2.97%**	**3.17%**	**3.08%**

5. Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue 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 ratio is based on the forecast of net revenue expenditure in the medium term financial model. The upper limit for this ratio was updated, as part of the MTFS report to Council in July 2023 and is currently set at 11% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes, it includes the cost of long term liabilities but now excludes investment income in line with the revised code. The table below shows the likely position based on the proposed capital programme.

This indicator is not so relevant for the HRA, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years.

Ratio of Financing Costs to Net Revenue Stream	2022/23 Actual %	2023/24 Forecast	2024/25 Forecast %	2025/26 Forecast %	2026/27 Forecast %
General Fund	9.58	9.58	10.02	10.07	9.62
HRA	6.81	7.93	9.92	11.49	13.19
Total	**8.79**	**9.16**	**9.99**	**10.43**	**10.52**

6. Liability Benchmark

This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £48M required to manage day-to-day cash flow.

	31-Mar-23 Actual £M	31-Mar-24 Forecast £M	31-Mar-25 Forecast £M	31-Mar-26 Forecast £M	31-Mar-27 Forecast £M
Loans CFR	**460.34**	**489.57**	**542.14**	**594.94**	**624.98**
Less Balance sheet Resources	(211.70)	(160.87)	(162.02)	(164.02)	(169.90)
Plus Minimum Investments	48.01	48.00	48.00	48.00	48.00
Liability Benchmark	**296.65**	**376.70**	**428.12**	**478.92**	**503.08**
Less Committed External Borrowing	(303.20)	(302.60)	(272.00)	(261.40)	(250.80)
Minimum Borrowing Need	**(6.55)**	**74.10**	**156.12**	**217.52**	**252.28**
Less HRA Borrowing Liability	(0.71)	(23.14)	(68.12)	(121.53)	(136.91)
GF Minimum Borrowing Need /	**(7.26)**	**50.96**	**88.00**	**95.99**	**115.37**

7. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit %	Lower Limit %	30.12.23 Actual £M	30.12.23 Actual %	Complied?
Under 12 months	0	50	27.12	9	Yes
12 months and within 24 months	0	50	13.12	4	Yes
24 months and within 5 years	0	50	30.35	10	Yes
5 years and within 10 years	0	55	50.58	16	Yes
10 years and within 20 years	0	60	32.37	11	Yes
20 years and within 40 years	0	60	149.86	49	Yes
Over 40 years	0	75	0.00	0	Yes
Uncertain Date**	0	5	4.00	1	Yes
Total			**307.40**	**100**	

8. **Long-term Treasury Management Investments**

This indicator allows the Council to manage the risk inherent in investments longer than a year and the limit is set at £30M. The actual principal sum invested in 2023/24 is £28.03M and consists of £27M in CCLA property funds (see Appendix 2 paragraphs 21 - 24 for more details) and £1M EIB bond which will mature on 15th April 2025.

9. **Security**

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	Q3 Actual	Complied?
Portfolio average credit Rating	A	AAA	Yes

10. **Liquidity**

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing or can borrow without giving prior notice.

We held £23.8M of liquid cash at end of December but based on current cash flow in order to maintain minimum balance and meet outgoing commitments we expect to borrow before year end.

	2023/24 Target	Q3 Actual	Complied?
Total cash available within 3 months	£20M	£23.8M	Yes
Total sum borrowed in past 6 months without prior notice		£20M	Yes

11. **Interest Rate Exposures**

This is a voluntary indicator which is set to control the Authority's exposure to interest rate risk. Bank Rate rose by 1.00% from 4.25% on 1st April to 5.25% by 31st December.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

For context, the changes in interest rates during the year were:

	31/03/23	30/09/23	30/12/23	Yearly Increase
Bank Rate	4.25%	5.25%	5.25%	1.00%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%	5.13%	0.35%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%	4.19%	0.12%
10-year PWLB certainty rate, maturity loans	4.33%	5.26%	5.37%	1.04%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%	4.90%	0.20%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%	4.67%	0.26%

We did not take out any new loans during the period and have budgeted new long-term borrowing at 5.00%. The benchmark was based on a 1% increase of forecast borrowing as of 31st March 2023. The forecast reflects the current borrowing need for the year, prior to any borrowing taken in year, of £92.10M, as detailed in Appendix 3, table 2.

Interest rate risk indicator	**2023/24 Benchmark £M**	**2023/24 Forecast £M**
Upper limit on one-year revenue impact of a 1% rise in interest rates	1.0M	0.92M
Upper limit on one-year revenue impact of a 1% fall in interest rates	(1.02M)	(0.92M)

12. Summary

As indicated in this report the Council has operated within the limits set by the Prudential Indicators.

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KEY FINANCIAL RISKS

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

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

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

- **Robustness of estimates**

	Key Financial Risk	**INHERENT RISK**		**Comments/Mitigating Actions in place**	**RESIDUAL RISK**	
		Likelihood	**Impact**		**Likelihood**	**Impact**
FE1.	**Interest rates** are underestimated.	Likely	Major	• *Prudent estimates are made around future rates when costing the financing of the capital programme.* • *Market intelligence provided by Treasury Management advisors.* • *Treasury Management Strategy is aligned with CIPFA Code and DLUHC Guidance re investing funds prudently and having regard to the security and liquidity of its investments before seeking the highest rate of return.*	Possible	Significant
FE2.	**Existing fees and charges:** Projected levels of income within the period are not achieved and/or maintained.	Possible	Significant	• *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.* • *Impairment allowances for non-collectability of debts are assessed at least annually.*	Possible	Significant
FE3.	**New income streams:** Projected levels of income within the period are not achieved.	Possible	Significant	• *Income generating activity has been identified as part of current approved savings proposals. There is a risk that in light of the economic backdrop that these levels of income will not be achieved.* • *Higher risk as it is based on new sources of income.*	Possible	Significant
FE4.	**Volatility of Business Rates funding** given the uncertainty around impact of successful appeals.	Likely	Major	• *The appeals provision has been reviewed and updated in light of known current appeals/challenges and potential threats and will be reviewed on a regular basis.* • *Appeals can be backdated and as a consequence of this the Council has set aside a provision to deal with this element of the financial impact.* • *The appeals window for the 2017 rating list closed on 31 March 2023, other than in relation to a tribunal case or court decision for which the deadline was 30 September 2023, so no further checks can be lodged.* • *Estimates have been made on the likely successful appeals against the 2023 rating list and provided for within estimates of collectable business rates.*	Possible	Significant

- **Robustness of estimates**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions in place	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FE5.	**Increase in demand led spending pressures** (including impact of welfare reform, social care, safeguarding) over and above the current budget provision.	Possible	Extreme	*• Demand led pressures are under regular review as part of in-year monitoring and budget setting processes. • Monitoring of capital and revenue budgets, reported to the Executive Management Board (EMB) and Cabinet. • Action plans to address any significant in year budget variances are agreed with EMB with the status of the agreed actions reported to EMB on a monthly basis.*	Possible	Major
FE6a.	Third party provider costs will increase as a result of increases in the **National Living Wage**	Almost certain	Significant	*• 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 a result of SCC having to 'step in' in the event of potential provider failure (social care providers)	Unlikely	Significant	*• Integrated Commissioning Unit (ICU) contract monitoring arrangements and general market oversight and intelligence*	Very Unlikely	Moderate
FE7.	**Legal challenge to savings proposals** that could result in the proposal being either discontinued or revised.	Possible	Significant	*• Robust budget consultation process in place for any service redesign proposals.*	Unlikely	Moderate
FE8.	**Pressure on returns from investment properties** in both the short and longer term.	Possible	Major	*• Investments are diversified between sectors. • Asset development and disposal programme being implemented will result in a reduced property investment portfolio in the longer term*	Possible	Significant
FE9.	**Voluntary sector** is either unwilling or unable to support the delivery of certain services or activities	Possible	Major	*• 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	*• Central Contracts Team monitors and work closely with the council's significant service delivery partners. • Contractual obligations on both parties that set out the respective roles and responsibilities.*	Possible	Significant
FE11.	The Council may receive **reduced funding** if Government make changes to the Local Government funding mechanism. Such changes may include removing the ring-fence for Public Health Grant and rolling it in to general funding.	Possible	Major	*• The Council will plan for any proposed changes through the Medium Term Financial Strategy process. • As outlined in the Local Government Finance Policy Statement published in December 2022 and confirmed in the December 2023 Provisional Local Government Finance Settlement, no changes will be made to the main funding mechanisms in 2024/25.*	Unlikely	Major
FE12.	**Employer pension contribution rates** are under estimated.	Possible	Significant	*• Local Government Pension Scheme employer contribution rates are assessed as part of the triennial revaluation process and set for a three year period. The latest rates apply to the period 2023/24 to 2025/26. Draft results from the triennial review are normally available 6 months ahead of any revised rate being applicable. • Hampshire Pension Fund provide advice to employers on performance of the Fund. • Any changes to employer contribution rates for nationally run schemes such as the Teachers Pension Fund are normally notified in advance.*	Very Unlikely	Significant

- **Adequacy of proposed financial reserves**

Key Financial Risk		INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR1.	**Business Rate Retention & Council Tax Growth -** the council fails to collect, retain and grow business rate income	Possible	Major	*• The government froze the business rate multiplier for 2023/24, however councils are being compensated for this via grants. Effective from 2024/25, the government has set separate standard and small business rates multipliers. The small business rates multiplier has been frozen for 2024/25 and councils will be compensated via grants. The standard rated mulitplier has been uplifted by the annualised CPI rate. The MTFS assumes both multipliers will be uplifted by CPI in future years (or the council receives government funding in compensation).* *• The MTFS includes assumptions on growth which have been reviewed in conjunction with the Economic Development team, including pipeline developments and their assumed operational dates. This will be monitored on a frequent basis as part of the standard monitoring arrangements.* *• Business rates have been revalued with an effective date of April 2023. This may impact on business rates collectability, however a transitional relief scheme applies to dampen the impact where there has been an increase in rateable value.The council's Top-Up Grant has been adjusted to eliminate, as far as reasonably practicable, the impact of the 2023 revaluation on its retained business rates.*	Possible	Significant
FR2.	**Delivery of all of the agreed savings** is not achieved.	Possible	Extreme	*• Progress and delivery of the overall programme and individual projects is monitored at Executive Director level, by EMB, with any non achievement forming part of the normal budget monitoring action plan process.* *• EMB review the validity and achievability of projects and provide approval (or not) to projects*	Possible	Major
FR3.	The Government could impose a lower **Council Tax referendum** threshold and/or reduce or remove the **Adult Social Care Precept**	Possible	Significant	*• SCC's 'core' Council Tax was increased by 2.99% and the Adult Social Care Precept by 2.0% in the 2023/24 budget, in line with the referendum limits.* *• The Adult Social Care Precept was introduced as part of the Autumn 2015 Spending Review and allowed local authorities with social care responsibilities to increase Council Tax provided it was ring-fenced to Adult Social Care budgets.* *• The Provisional Local Government Finance Settlement in December 2023 confirmed that for 2024/25 a 'core' Council Tax increase of up to 3% and an Adult Social Care Precept of up to 2% could be applied without the need for a local referendum.*	Unlikely	Significant
FR4.	**Slippage in capital receipts** (not accompanied by a slippage in spend).	Possible	Significant	*• 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 the short term (the interest payments).* *• A shortfall in capital receipts may impact on delivery of the transformation programme.*	Possible	Significant
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	*• Surpluses are liable to change annually, either favourably or not, and this will be reflected in the annual review of stock investment needs and estimated unit rates.* *• Monitoring and assessment of potential impact with business model sufficiently flexible to allow for reassessment of priority outcomes against available budget.*	Possible	Major
FR6.	The level of funds within the **internal insurance provisions** is inadequate to meet current or future demand	Possible	Significant	*• The adequacy of the provision is informed by the output from periodical (at least triennial) external actuarial reviews of the funds.* *• The level of funding required is reviewed as part of annual budget setting process and the position, in respect of potential liabilities is reviewed on a monthly basis.*	Unlikely	Significant

- **Adequacy of proposed financial reserves**

	Key Financial Risk	INHERENT RISK		Comments/Mitigating Actions	RESIDUAL RISK	
		Likelihood	Impact		Likelihood	Impact
FR7.	**Ad hoc or unforeseen events / emergencies.**	Possible	Extreme	*• The council has limited reserves to deal with 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, specific government funding (such as in response to COVID-19).*	Possible	Major
FR8.	The cost of implementing the **Care Act** 2014 is greater than anticipated.	Possible	Significant	*• The Government announced a new basis for Social Care provision in September 2021, with a "cap and floor" scheme due to be implemented from October 2023 to be funded via a new Health and Social Care Levy. In the Growth Plan published in September 2022 the Health and Social Care Levy was scrapped. A delay in implementation of the "cap and floor" scheme to October 2025 was announced in the Autumn Statement in November 2022. Funding previously earmarked within the Spending Review for the scheme was allocated to local government for other purposes in the 2023/24 local government finance settlement and this treatment continues into 2024/25. No funding for the new scheme has been identified for future years.* *• No costing analysis has been provided so it is unclear whether the quantum of funding previously identified at a national level would have been sufficient to cover the costs of the scheme. There is also a risk that the method for distributing such funding may be unfavourable to the Council.*	Possible	Significant
FR9.	**The Integrated Care Board (ICB)** could seek to reduce its level of contribution to the **'pooled budgeting'** arrangement with SCC	Possible	Major	*• Ongoing relationship and dialogue with ICB 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	*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	Likey	Significant	*• Assumptions have been made in the estimates about the likely level of general inflation that will apply in 2023/24. CPI is currently running at 4.0% (December 2023) and the rate of reduction has levelled off.* *• Market intelligence provided by Arlingclose - independent treasury advisors.* *• Directorate cash limited budgets include provision for contract inflation. Beyond this provision it would be managed as an 'in year' issue and services are expected to absorb the difference.*	Likely	Significant
FR12.	**Pay Inflation** is at a higher rate than anticipated	Likely	Major	*• The MTFS approved in February 2023 was based on a pay award of 4.0% for 2023/24 and 2.0% thereafter. The estimate for 2024/25 was amended to 3.0% in the October MTFS update.* *• Pay awards for the majority of local government employees are agreed through the National Joint Council for Local Government Services, with representatives from both employers and trade unions.* *• The NJC's offer for 2023/24 of a £1,925 flat rate increase on all NJC pay points on the pay spine and an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer was agreed in November 2023. This is equivalent to around a 5.6% increase for the council. The additional cost of the pay award over budget is to be managed by directorates as part of their cash limited budgets.*	Likely	Significant

- **Adequacy of proposed financial reserves**

	Key Financial Risk	INHERENT RISK Likelihood	INHERENT RISK Impact	Comments/Mitigating Actions	RESIDUAL RISK Likelihood	RESIDUAL RISK Impact
FR13.	**Exiting the European Union** - Uncertainty and economic forces, at least in the short term, within both the local business and wider business sector may have an adverse impact on investment decisions and local employment which, in turn, would impact on business rate income.	Likely	Significant	*• 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
FR14.	There are unplanned and unforeseen consequences (and costs) arising from the implementation of new, or changed, **systems and processes** across service areas within the organisation	Possible	Significant	*• A Projects and Change Team is in place. A full programme management approach is taken, including planning and risk assessment, with significant support to major projects.*	Unlikely	Significant
FR15.	New accounting rules for financial investments may result in **adverse valuation movements** being charged to the General Fund in the year that they occur.	Possible	Significant	*• Accounting rules require gains/losses from valuation movements for certain types of financial investments to be recognised in the year they occur, rather than when the investments are sold.* *• The Government put in place legislation to mitigate the impact on the General Fund for the five years 2018/19 to 2022/23 and in December 2022 this was extended for a further two years to 2024/25. A new Investment Risk Reserve has been set up to manage the volatility that the timing difference may cause.*	Possible	Significant
FR16.	**COVID-19** will adversely impact on budgets	Almost certain	Major	*• COVID-19 is having ongoing financial effects through its impact on income streams and service costs rising due to increased demand e.g. for social care.The Council included anticipated additional expenditure/income losses in the MTFS agreed in Feb 2021. The MTFS will continue to be used to model the potential effects and ensure the authority continues to plan ahead with robust estimates.*	Almost certain	Significant
FR17.	The cumulative deficit on the **Dedicated Schools Grant** (DSG) may have to be met from the General Fund.	Very Likely	Extreme	*• A cumulative DSG deficit of £11.1M as at the end of 2021/22 is being held in an unusable reserve in accordance with legislation. The statutory override has been extended until the end of 2025/26. A £1.0M in-year surplus for 2022/23 is held within earmarked revenue reserves as the statutory override regulations do not allow for this to be used to reduce the cumulative deficit held in the unusable reserve. An in-year surplus of £2.2M is forecast for 2023/24, which would reduce the cumulative net deficit to £7.9M.* *• Work is being undertaken as part of the DfE programme Delivering Better Value in Special Education Needs & Disabilities to reduce costs, however may only serve to limit cost increases.*	Likely	Major
FR18	Pressure on the **Housing Revenue Account** means it becomes financially unsustainable without savings and/or reductions in capital spending plans.	Possible	Extreme	*• A minimum working balance has been set at £2M to provide an in-year buffer.* *• This buffer should be increased over time to at least £3.5M to provide a suitable safety net for any major financial risks and shocks and allow time to adjust plans within the 40- year HRA business plan.*	Possible	Major
FR19	Costs are incurred in meeting **uninsured claims** against the Council.	Possible	Extreme	*• Appropriate legal advice is taken to mount a successful defence.*	Possible	Major
FR20	The Council incurs unfunded costs relating to **new legislative burdens**.	Possible	Significant	*• The Government has a policy of funding any "new burdens" imposed on local government, either through the local government finance settlement or via specific grants.*	Unlikely	Moderate
FR21	**School deficits** may have to be met from the General Fund if a school in deficit transfers to academy status.	Possible	Significant	*• The Government may mandate a school that "requires improvement" to become an academy. When a school in deficit transfers to academy status the deficit must be borne by the General Fund.* *• Schools in deficit are required to develop deficit recovery plans to get back to a balanced position within 3 years (which may be extended to 5 years if necessary, for schools that have experienced significant COVID-19 pressures).*	Possible	Moderate

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Appendix 8

PERFORMANCE INDICATORS – QTR 3 2023/24

Prudential Indicators Relating to Treasury

	Maximum	Forecast	Status
Maximum Level of External Debt £M	£1010M	£429M	Green
As % of Authorised Limit	100%	42.48%	Green

	Maximum	Highest YTD	Status
Authorised Limit for external debt £M	£1,010M	£361M	Green
Operational Limit for external debt £M	£865M	£361M	Green
Maximum external borrowing year to date	£805M	£308M	Green
Limit of fixed interest debt %	100%	87.31%	Green
Limit of variable interest debt %	50%	12.69%	Green
Limit for Non-specified investments £M	£30M	£28M	Green

Other Treasury Performance Indicators	Target	Actual Qtr 3	Status
Average % Rate Long Term New Borrowing	5.50%	None Taken	Green
Average % Rate Existing Long Term Borrowing	3.40%	2.96%	Green
Average % Rate Short Term New Borrowing	5.50%	5.79%	Amber
Average Short Term Investment Rate - Cash	3.50%	5.32%	Green
Average Short Term Investment Rate – Fixed	3.50%	None Held	Green
Average Long Term Investment Rate - Bonds	5.25%	5.27%	Green
Average Return on Property Fund	3.50%	4.56%	Green
Average Return on All Investments	3.72%	4.59%	Green

Minimum Level of General Fund Balances

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

Income Collection

	2023/24 Target	Qtr 3 YTD	Status
Collection rate (in year)	>100%	97.98%	Amber
Average days sales outstanding	</= 62 days	79	Red
Percentage of debt more than 12 months old*	</= 20.52%	37.04%	Red
Debt written off	</= 1%	0.61%	Green

*At the time of preparing this report we are still awaiting the major works arrears figures. However, this would only slightly change the aged debt percentage

Creditor Payments

	2023/24 Target	Qtr 3 YTD	Status
Valid and undisputed invoices paid within 30 days	88.37%	89.63%	Green

Tax Collection rate

	2022/23 Actual Rate	Target Collection Rate	Qtr 3 Collection Rate		Status
			Last Year	This Year	
Council Tax (in-year)	93.61%	94.50%	79.29%	79.49%	Red
National Non Domestic Rates (in-year)	96.02%	96.02%	85.80%	85.82%	Green

Appendix 9

HOUSING REVENUE ACCOUNT FORECAST OUTTURN POSITION FOR 2023/24

The Housing Revenue Account is currently forecast to have a surplus of £0.59M, which will be used to increase the HRA working balance to £2.59M**.**

	Budget Quarter 3 £M	**Annual Forecast Quarter 3 £M**	**Forecast Variance Quarter 3 £M**	**Forecast Variance Quarter 2 £M**	**Movement from Quarter 2 £M**
Expenditure					
Responsive repairs	15.10	15.12	0.02 A	0.01 F	0.03 A
Cyclical maintenance	6.44	6.48	0.04 A	0.07 A	0.03 F
Rents payable	0.20	0.45	0.25 A	0.25 A	0.00
Debt management	0.09	0.09	0.00	0.00	0.00
Supervision & management	26.16	26.92	0.76 A	0.81 A	0.05 F
Interest & principal repayments	5.71	6.46	0.75 A	1.00 A	0.25 F
Depreciation	22.07	21.50	0.57 F	0.57 F	0.00
Direct revenue financing of capital	4.00	2.18	1.82 F	2.12 F	0.30 A
Total Expenditure	**79.77**	**79.20**	**0.58 F**	**0.58 F**	**0.00**
Income					
Dwelling rents	(75.14)	(74.94)	0.20 A	0.20 A	0.00
Other rents	(1.24)	(1.20)	0.04 A	0.04 A	0.00
Service charge income	(2.34)	(2.52)	0.18 F	0.18 F	0.00
Leaseholder service charges	(1.05)	(1.05)	0.00	0.00	0.00
Interest received	0.00	(0.08)	0.08 F	0.08 F	0.00
Total Income	**(79.77)**	**(79.78)**	**0.01 F**	**0.01 F**	**0.00**
(SURPLUS)/DEFICIT	**0.00**	**(0.59)**	**0.59 F**	**0.59 F**	**0.00**

NB Numbers are rounded

The SIGNIFICANT issues for the HRA are:

Service Area	**Forecast Variance Qtr 3 £M**	**Explanation**
Supervision & Management	0.76 A	The adverse variance of £0.76M includes an anticipated increase in bad debt provision contribution of £0.10M due to continuing high levels of arrears; £0.18M disrepair claims costs over and above the existing budget; an increase of £0.05M on waste disposal costs as a result of new Persistent Organic Pollutants legislation;

		ongoing net operating loss of £0.07M at the Potters Court cafe; unachieved savings of £0.23M in respect of housing management restructuring, and £0.30M of voluntary redundancy costs. These pressures are partially offset by a favourable cost control variance of £0.12M resulting from a reduction in Employer's pension contributions from 18.2% to 16.8%, and reduced financing costs expected on vans of £0.05M. The favourable movement of £0.05M since quarter 2 relates to the reduction expected on financing costs for vans.
Rents Payable	0.25 A	The adverse variance relates to council tax charges on empty properties, which has exceeded budget due to continuing high levels of voids.
Interest & Principal repayments	0.75 A	The adverse variance reflects the estimated impact of interest base rate increases, and a borrowing decision in February 2023 to fix borrowing at a favourable rate which increases short term borrowing costs but creates a larger saving to the HRA over the longer term. The favourable movement in forecast of £0.25M relates to a slight softening in borrowing costs resulting from the Bank of England's decision to hold rate increases during November and December 2023.
Depreciation	0.57 F	The depreciation charge for 2022/23 was based on a lower stock valuation than anticipated, this has a knock on effect on the depreciation calculation for 2023/24, generating a favourable variance of £0.57M. Due to the scale of the depreciation charge, small % variances can have a large financial impact and therefore any favourable variance on depreciation will be taken to increase the working balance.
Direct Revenue Financing of Capital	1.82 F	The net pressures recorded above, allowing for an increase in working balance, have been offset by a reduction in the Direct Revenue Financing of Capital line. The adverse movement of £0.3M since Quarter 3 is offset by favourable movements across the HRA.

COLLECTION FUND REVENUE ACCOUNT
FOR YEAR ENDED 31ST MARCH 2024

	Current Budget 2023/24 £M	Forecast 2023/24 £M	Variance Adverse / (Favourable) 2023/24 £M
Total Council Tax Income	**(140.44)**	**(139.73)**	**0.70**
Total Council Tax Expenditure (incl. precepts)	**140.13**	**140.01**	**(0.12)**
Council Tax Deficit/(Surplus) for the Year	**(0.31)**	**0.28**	**0.58**
Council Tax Deficit/(Surplus) Brought Forward	0.31	0.90	0.59
Council Tax Deficit/(Surplus) Carried Forward	**0.00**	**1.18**	**1.18**
Total Business Rates Income	**(94.03)**	**(93.53)**	**0.51**
Total Business Rates Expenditure	**97.48**	**99.35**	**1.87**
Business Rates Deficit/(Surplus) for the Year	**3.45**	**5.83**	**2.38**
Business Rates Deficit/(Surplus) Brought Forward	(3.45)	(13.20)	(9.76)
Business Rates Deficit/(Surplus) Carried Forward	**0.00**	**(7.37)**	**(7.38)**
Total Collection Fund (Surplus)/Deficit	**0.00**	**(6.20)**	**(6.20)**

Council Tax (Surplus)/Deficit	
Contribution (to)/ from SCC	0.99
Contribution (to)/ from H and IOW PCC	0.14
Contribution (to)/ from H and IOW F&R	0.05
Council Tax Collection Fund Balance c/f	1.18
NDR (Surplus)/Deficit	
Contribution (to)/ from SCC	(3.61)
Contribution (to)/ from DLUHC	(3.69)
Contribution (to)/ from H and IOW F&R	(0.07)
NDR Collection Fund Balance c/f	(7.37)
Total SCC (Surplus)/Deficit	**(2.63)**
ADD: Variance in grant estimated as due from Government (General Fun	0.09
NET SCC (Surplus)/Deficit for future budget purposes at Qtr 3	**(2.54)**

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Appendix 11

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Appendix 12

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