

Appendix 1

Medium Term Financial Strategy Update Quarter 1

Introduction

The Medium-Term Financial Strategy (MTFS) reported to Council 6 March 2024 has been updated following an exercise to review all existing adjustments and assumptions. It reflects the position as at Month 2 and aligns the MTFS into the current directorate structures. Specifically, this is the creation of Resident Services and a directorate for Growth and Prosperity from the previous Place Directorate.

The purpose of the rebased MTFS is to reset 2024-25 as the base year for financial projections. The rationale for this is all directorates have been involved in the creation of these estimates reflecting pressures and savings agreed in March. This gives the council a stable base to go forward from.

The month 2 position of a forecast underspend of £3.25M demonstrates the council is now heading into the stable phase of the financial strategy previously agreed at Council.

The development of the transformation plan will ensure the council address the underlying structural deficit of £39.2M ensuring a move to the sustainable phase of the strategy, with expenditure that matches the income we receive, and any budget pressures going forward being manageable within the cash limits set.

The document also rolls forward the MTFS by 1 year to ensure we have the rolling 5-year strategy. As we go through the year the intention is to create a 10-year view of the financial position and this report sets the base from which to do that.

The main area of focus has been on the savings and pressures already built in, including those based on previous years' decisions. Specifically, to remove those changes that are superseded by transformation business cases.

As per the agreed MTFS, this is the first quarterly update of the year. However, due to timings it is based on Month 2 monitoring.

The next MTFS refresh will be reported at the end of Quarter 2 (in October 2024). This report will propose further changes to this MTFS refresh, including realising forecast in-year savings and underspends.

Rebased MTFS 2024/25 to 2028/29

The rebased MTFS is summarised in Table 1 below:

Table 1: Rebased MTFs by Directorate 2024/25 to 2028/29

| | Approved 2024/25 Budget £M | Forecast Changes £M | Forecast 2025/26 Budget £M | Forecast Changes £M | Forecast 2026/27 Budget £M | Forecast Changes £M | Forecast 2027/28 Budget £M | Forecast Changes £M | Forecast 2028/29 Budget £M |
|---|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Children & Learning | 61.83 | 0.90 | 62.72 | 0.29 | 63.02 | 0.70 | 63.72 | 0.67 | 64.39 |
| Community Wellbeing | 97.66 | 4.80 | 102.46 | 3.83 | 106.29 | 3.82 | 110.11 | 2.82 | 112.93 |
| Enabling Services | 26.52 | 0.85 | 27.37 | 1.35 | 28.71 | 0.61 | 29.32 | 0.66 | 29.98 |
| Growth & Prosperity | 38.64 | 2.08 | 40.72 | 2.38 | 43.10 | 2.66 | 45.76 | 0.82 | 46.57 |
| Resident Services | 25.14 | 0.47 | 25.61 | 0.77 | 26.38 | 1.07 | 27.44 | 0.92 | 28.37 |
| Strategy & Performance | 3.93 | 0.09 | 4.02 | 0.04 | 4.06 | 0.11 | 4.16 | 0.14 | 4.31 |
| Directorate Expenditure | 253.72 | 9.18 | 262.89 | 8.66 | 271.56 | 8.97 | 280.52 | 6.03 | 286.55 |
| Capital Asset Management | 12.86 | 2.93 | 15.79 | 2.53 | 18.32 | 1.51 | 19.83 | 0.00 | 19.83 |
| Other Expenditure & Income and movement in reserves and balances | 11.95 | 0.07 | 12.02 | 4.49 | 16.51 | 1.44 | 17.95 | 0.00 | 17.95 |
| Net Revenue Expenditure | 278.52 | 12.18 | 290.70 | 15.68 | 306.39 | 11.92 | 318.31 | 6.03 | 324.33 |
| Funding | | | | | | | | | |
| Council Tax | (121.43) | (5.00) | (126.43) | (3.68) | (130.11) | (3.63) | (133.75) | (4.00) | (137.75) |
| Business Rates | (51.21) | (5.79) | (57.00) | (1.11) | (58.11) | (1.11) | (59.22) | (1.22) | (60.44) |
| Collection Fund Surplus/Deficit | (2.25) | 2.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue Support Grant | (13.73) | 1.93 | (11.80) | 1.31 | (10.50) | 1.27 | (9.23) | 1.36 | (7.87) |
| Top Up Grant/Tariff Payment | (6.10) | (0.20) | (6.29) | 1.92 | (4.37) | (0.09) | (4.46) | (0.09) | (4.55) |
| New Homes Bonus | (0.04) | 0.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| S31 Business Rates Grants | (18.66) | 3.77 | (14.88) | 0.07 | (14.82) | (0.31) | (15.13) | (0.31) | (15.44) |
| Other Non-Specific Government Grants | (25.83) | 0.08 | (25.75) | 0.15 | (25.60) | 0.03 | (25.56) | 0.03 | (25.53) |
| Total Funding | (239.24) | (2.92) | (242.16) | (1.34) | (243.50) | (3.84) | (247.34) | (4.23) | (251.57) |
| (Surplus)/Deficit | 39.28 | 9.26 | 48.54 | 14.34 | 62.88 | 8.08 | 70.96 | 1.80 | 72.76 |
| Exceptional Financial Support (EFS) | (39.28) | 39.28 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Surplus)/Deficit (after EFS) | 0.00 | 48.54 | 48.54 | 14.34 | 62.88 | 8.08 | 70.96 | 1.80 | 72.76 |
| Incremental Change | | | 48.54 | | 14.34 | | 8.08 | | 1.80 |
| Forecast Underspend at Month 2 | (3.25) | | | | | | | | |
| Revised EFS Requirement (based on M2 Forecast) | (36.03) | 36.03 | | | | | | | |
| (Surplus)/Deficit based on M2 Forecast | 0.00 | 45.29 | | 14.34 | | 8.08 | | 1.80 | |

The breakdown of the budget gap (£48.5M in 2025/26) and subsequent years is set out in table 2 below. Note this does not include the impact of the forecast underspend reported at Month 2 2024/25 (£3.25M).

Table 2 Breakdown of Forecast Budget Gap 2025/26 to 2028/29

| | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|---|--------------|--------------|-------------|-------------|--------------|
| | £M | £M | £M | £M | £M |
| Removal of EFS support | 39.28 | | | | 39.28 |
| Pay & Price Inflation | 6.48 | 6.32 | 6.09 | 5.31 | 24.19 |
| Council Tax increase (2.99% increase) | (5.00) | (3.68) | (3.63) | (4.00) | (16.31) |
| Demography & Demand | 2.34 | 2.35 | 2.59 | 0.72 | 8.01 |
| Removal of Pressures | (1.61) | (0.53) | | | (2.14) |
| Savings Adjustment | (0.59) | (0.12) | | | (0.71) |
| Executive Commitments | (0.34) | | | | (0.34) |
| Reversals of one year decisions | 0.99 | 0.63 | 0.29 | | 1.90 |
| Capital Asset Management – revenue cost of capital expenditure | 2.93 | 2.53 | 1.51 | | 6.98 |
| Other income and expenditure – adjustments to reserves & balances | 0.07 | 4.49 | 1.44 | | 6.00 |
| Remove Collection Fund 24/25 Surplus | 2.25 | | | | 2.25 |
| Business Rates, Revenue Support Grant and other SFA funding | (0.09) | 0.27 | (0.15) | (0.17) | (0.15) |
| Change in Top Up grant | (0.20) | 1.92 | (0.09) | (0.09) | 1.55 |
| Service Specific Grant Funding Ending | 1.91 | 0.02 | | | 1.92 |
| Other Government Grants | 0.12 | 0.15 | 0.03 | 0.03 | 0.34 |
| Total Budget Gap | 48.54 | 14.34 | 8.08 | 1.80 | 72.76 |

The projected gap is based on current MTFS assumptions that are summarised in Table 2 and set out in more detail in this report. The main reason for the 2025/26 gap is that the Exceptional Financial Support (EFS) facility that the government is minded to agree for 2024/25, is for one year only. This immediately creates a budget gap of £39.28M for 2025/26.

Pay and price inflation adds £6.5M to the cost base, and this is not matched by the assumed increase in council tax, resulting in a net cost increase for the council.

In relation to council tax, the MTFS assumes annual increases in line with current referendum limits (2.99%) and includes the assumption of the second homes premium but makes no assumption about the additional 2% adult social care precept, as this has not been confirmed for 2025/26.

Other taxation and funding – primarily business rates and Revenue Support Grant (RSG) – are assumed to be broadly neutral in cash terms in line with the Autumn 2023 Statement. In addition, several service specific grants have not been confirmed beyond 2024/25 so these are assumed not to continue or be replaced.

Potential Scenarios to Address the Gap

Given that currently future funding and flexibilities are uncertain as described above, we are presenting three scenarios in line with the practice followed in May 2023.

Table 3 illustrates three scenarios representing the optimistic, middle, and pessimistic case, and the resulting gap that would remain under each scenario. A commentary on each follows.

Table 3 – Potential scenarios to address the forecast budget gap.

| | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|---|--------------|---------------|---------------|---------------|--------------|
| | £M | £M | £M | £M | £M |
| Optimistic Scenario | | | | | |
| Forecast Budget Gap | 48.54 | 14.34 | 8.08 | 1.80 | 72.76 |
| Transformation Savings (per profile in Table 4 below) | (24.75) | (7.32) | (1.83) | (0.40) | (34.30) |
| In-Year Transformation savings (24/25) (per table 4 below) | (7.30) | | | | (7.30) |
| Target Transformation savings not currently identified are delivered | | (3.84) | (3.84) | | (7.68) |
| Revenue Cost of EFS (based on £32M assuming in-year savings delivery) | 2.90 | | | | 2.90 |
| Demand Management Savings (Prevention portfolio) | | (2.35) | (2.59) | (0.72) | (5.67) |
| Baseline Funding assumed (service specific grants retained) | (1.91) | (0.02) | | | (1.92) |
| Additional Council Tax, ASC precept restored for one year (total 4.99%) | (2.45) | | | | (2.45) |
| RSG in line with inflation (rather than flat cash SFA assumption) | (2.20) | (1.59) | (1.56) | (1.65) | (7.00) |
| Total Budget Gap Remaining | 12.83 | (0.77) | (1.74) | (0.97) | 9.35 |
| Middle Scenario | | | | | |
| Forecast Budget Gap | 48.54 | 14.34 | 8.08 | 1.80 | 72.76 |
| Transformation Savings (per profile in Table 4 below) | (24.75) | (7.32) | (1.83) | (0.40) | (34.30) |
| In-Year Transformation savings (24/25) (per table 4 below) | (7.30) | | | | (7.30) |
| Revenue Cost of EFS (based on £32M assuming in-year savings delivery) | 2.90 | | | | 2.90 |
| Demand Management Savings (Prevention portfolio) | | | | | 0.00 |
| Baseline Funding assumed (service specific grants retained) | | | | | 0.00 |
| Additional Council Tax, ASC precept restored for one year (total 4.99%) | (2.45) | | | | (2.45) |
| RSG in line with inflation (rather than flat cash SFA assumption) | (2.20) | (1.59) | (1.56) | (1.65) | (7.00) |
| Total Budget Gap Remaining | 14.73 | 5.44 | 4.69 | (0.25) | 24.61 |
| Pessimistic Scenario | | | | | |
| Forecast Budget Gap | 48.54 | 14.34 | 8.08 | 1.80 | 72.76 |
| Transformation Savings (with 20% optimism bias) plus balance of in-year savings 2024/25 | (23.85) | (5.85) | (1.46) | (0.32) | (31.49) |
| In-Year Savings (24/25) (per Month 2) | (3.25) | | | | (3.25) |
| Revenue Cost of EFS (based on £36M, allowing M2 forecast savings) | 3.26 | | | | 3.26 |
| Demand Management Savings (Prevention portfolio) | | | | | 0.00 |
| Baseline Funding assumed (service specific grants retained) | | | | | 0.00 |
| Additional Council Tax, ASC precept restored for one year (total 4.99%) | | | | | 0.00 |
| RSG in line with inflation (rather than flat cash SFA assumption) | (2.20) | (1.59) | (1.56) | (1.65) | (7.00) |
| Total Budget Gap Remaining | 22.50 | 6.90 | 5.06 | (0.17) | 34.28 |

Optimistic Scenario

This scenario assumes:

- Transformation savings are delivered in line with the profile set out in Table 4 below. That is £24.8M in 2025/26.
- 100% delivery of 2024/25 transformation savings scheduled (£7.3M) and a reduction in EFS repayments as a result.
- The currently unidentified elements of the transformation target (£7.7M) are identified and then delivered in 2026/27 and 2027/28.
- EFS repayments are based on £32M which is the EFS requirement to balance the 2024/25 budget (£39.3M) less the in-year transformation savings (£7.3M).
- Demographic growth is provided in 2025/26. However, from 2026/27 it is assumed to be contained within service budgets and managed by the transformation projects, particularly the prevention workstream.
- Time limited grants including Family Hubs and Adult Social Care Market Sustainability which are due to end continue at their current level.
- The adult social care precept is assumed to be extended for a further year, so Council Tax is increased by an additional 2% in 2025/26.
- The Revenue Support Grant (RSG) is increased by inflation (2%) from its 2024/25 base. This assumption will require confirmation, and so the MTFS central assumption

is for 'flat cash' across RSG and business rates in line OBR estimates. If RSG does grow by inflation, this would add an initial £2.2M to council funding in 2025/26.

If all the assumptions in this optimistic scenario are realised, the forecast 2025/26 budget gap is reduced from £48.5M to £12.8M

Middle Scenario

This scenario assumes:

- Transformation savings are delivered in line with the profile set out in Table 4 below. That is £24.8M in 2025/26.
- The savings scheduled for in-year will be delivered in 2024/25 (£7.3M).
- EFS financing costs are based on £32M which is the EFS requirement to balance the 2024/25 budget (£39.3M) less the in-year transformation savings (£7.3M).
- Demographic growth is maintained for the full MTF period in this scenario with the expected increases subject to further modelling work.
- Time limited grants including Family Hubs and Adult Social Care Market Sustainability will end in 2024/25.
- Adult social care precept is assumed to extend by a further year, so Council Tax is increased by an additional 2% in 2025/26.
- Revenue Support Grant (RSG) is increased by inflation (2%) from its 2024/25 base.

If all the assumptions in this middle scenario are realised, the forecast 2025/26 budget gap is reduced from £48.5M to £14.7M

Pessimistic Scenario

This scenario assumes:

- Transformation savings are delivered in line with the profile set out in Table 4 below, but with a 20% Optimism Bias reduction built in. This means 80% delivery of the middle scenario is assumed.
- In addition, it is assumed that the Month 2 monitoring forecast of £3.25M is delivered in year, and the balance of the in-year transformation savings (£4.05M) slip to 2025/26.
- Demographic growth is retained and will be subject to further modelling work by the Prevention project and services.
- Time limited grants will end in 2024/25 and not be replaced.
- Adult social care precept is not extended so no additional Council Tax income is assumed.
- Revenue Support Grant (RSG) is increased by inflation (2%) from its 2024/25 base.

If all the assumptions in this pessimistic scenario are realised, the forecast 2025/26 budget gap is reduced from £48.5M to £22.5M

Addressing the Revenue Budget Gap

The budget gap of £48.5M in 2025/26 and beyond will be addressed through the following:

- Transformation plans (see report to Cabinet 16 July 2024 and scenario modelling above) required to address the structural deficit.
- Demand management – see prevention work contained in the Transformation report elsewhere on the agenda.
- All directorates are also looking at business as usual savings for example reducing procurement spend.

Whilst this position is a slightly wider gap than previously reported, once the work on demographics and demand (see demographics section) has been completed and the work on in year transformation savings has progressed, it is expected this position will change.

In addition, and as illustrated above, if the trend in the current year of a £3.25M underspend reported at Month 2 continues into next year this will lead to a reduced £45.3M gap.

Transformation Programme and Transformation Funding Strategy

Table 4 below summarise out the cumulative savings identified to date, which are set out in more detail in the Transformation Programme Update report:

Table 4: Summary of Transformation Savings

| | 2024/25 (In-Year) £M | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|--|----------------------------|---------------|---------------|---------------|---------------|
| Savings Identified by Programme Portfolio | | | | | |
| Adults Social Care & Health | 2.24 | 13.90 | 17.00 | 17.00 | 17.00 |
| Children's services | 2.70 | 6.55 | 9.17 | 9.17 | 9.17 |
| Schools & SEND | 1.32 | 2.56 | 3.21 | 3.67 | 3.67 |
| Growth & Prosperity | 0.00 | 0.39 | 0.39 | 0.39 | 0.39 |
| Resident Services | 0.64 | 5.94 | 6.63 | 8.00 | 8.39 |
| Customer & Community | 0.30 | 0.76 | 1.00 | 1.00 | 1.01 |
| Enabling Services | 0.10 | 1.94 | 1.97 | 1.97 | 1.97 |
| Total Savings Identified (cumulative) | 7.30 | 32.05 | 39.37 | 41.20 | 41.60 |
| Incremental | 7.30 | 24.75 | 7.32 | 1.83 | 0.40 |

It is recommended that for in year savings that are transformation related and recurrent in nature, a budget adjustment will be completed to remove the budget once there is evidence of achievement. This will be completed on a quarterly basis and used to offset the EFS requirement.

The EFS request included an allocation for transformation costs to support the delivery of savings. These can be paid for using borrowing or capital receipts. The council can also utilise capital receipt flexibilities in this financial year only, if the spend required is more than the EFS allocation for transformation costs.

The transformation funding strategy is to use capital receipts as the first call to fund the Transformation Programme as the expenditure is one off in nature. This will ensure that the Transformation Reserve remains intact (at £6.1M) to fund future years' transformation activities when neither EFS nor capital flexibilities may be available.

Exceptional Financial Support (EFS)

The budget gap for 2024/25 (the base year) of £39.3M was closed by the assumption of Exceptional Financial Support (EFS). Under EFS the council can use capital resources (capital receipts and borrowing) to fund revenue expenditure up to a limit agreed with central government.

This is called a Capitalisation Directive, and the Council has been advised that government is minded to issue such a directive to Southampton, subject to some assurance requirements.

The current EFS facility offered by government is only available for one financial year (2024/25). This means that the full budget gap and structural deficit needs to be addressed for 2025/26.

Any EFS used to fund the 2024/25 budget gap will need to be paid for using either capital receipts or borrowing.

The repayment cost (principal and interest) of borrowing for the EFS has not been included in the figures above. Any borrowing taken out to fund EFS must be repaid over 20 years and attracts a 1% premium over normal PWLB rates. The potential cost could be £3.6M per annum to fund the £39.3M per annum for 20 years (based on prevailing interest rates) if this amount is borrowed. If the full amount of the capitalisation is utilised and funded from borrowing, the potential cost would be £11.5M

Capital receipts attract no such repayment costs but are limited to the amount of asset sales the council has or can achieve. Capital receipts are most appropriately used to fund new capital investment or to fund one-off initiatives such as transformation. Currently the Council has £14M of usable capital receipts, not counting any future potential receipts.

The in-year aim is to minimise the budget gap by implementing as many of the transformation savings early. This will reduce the amount that needs to be borrowed to fund the gap, and thereby reduce borrowing costs. For example, if the Council's final out-turn position reflects the position reported at Month 2 – that is an underspend of £3.25M – then the EFS borrowing requirement is reduced to just over £36M and the financing cost is reduced by £0.3M per annum (to £3.3M)

The Rebased MTFs 2024/25 to 2028/29 – Detailed Commentary

The remainder of this report sets out the MTFs assumptions in more detail, starting with the Directorate position.

Directorate Position

The Directorate MTFs for 2024/25 to 2028/29 is set out in Table 5 below.

Table 5 Directorate MTFs 2024/25 to 2028/29

| | Approved 2024/25 Budget £M | Forecast Changes £M | Forecast 2025/26 Budget £M | Forecast Changes £M | Forecast 2026/27 Budget £M | Forecast Changes £M | Forecast 2027/28 Budget £M | Forecast Changes £M | Forecast 2028/29 Budget £M |
|--------------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Children & Learning | 61.83 | 0.90 | 62.72 | 0.29 | 63.02 | 0.70 | 63.72 | 0.67 | 64.39 |
| Community Wellbeing | 97.66 | 4.80 | 102.46 | 3.83 | 106.29 | 3.82 | 110.11 | 2.82 | 112.93 |
| Enabling Services | 26.52 | 0.85 | 27.37 | 1.35 | 28.71 | 0.61 | 29.32 | 0.66 | 29.98 |
| Growth & Prosperity | 38.64 | 2.08 | 40.72 | 2.38 | 43.10 | 2.66 | 45.76 | 0.82 | 46.57 |
| Resident Services | 25.14 | 0.47 | 25.61 | 0.77 | 26.38 | 1.07 | 27.44 | 0.92 | 28.37 |
| Strategy & Performance | 3.93 | 0.09 | 4.02 | 0.04 | 4.06 | 0.11 | 4.16 | 0.14 | 4.31 |
| Directorate Expenditure | 253.72 | 9.18 | 262.89 | 8.66 | 271.56 | 8.97 | 280.52 | 6.03 | 286.55 |

The directorate 2024/25 base budget and MTFs now reflects the new directorate structure that was put in place at the start of this financial year. Overall, this is financially neutral as all changes are contained within the previously approved budget for 2024/25.

Resident Services and Growth and Prosperity Directorates have been created. This involves a separation of the Place directorate and some movements of functions from other directorates. For example, the Service Centre from Enabling Services to Resident Services and Housing (including HRA) from Community Wellbeing to Resident Services.

Resident Services comprises Environmental and Regulatory Services, Housing and Customer Experience (incorporating Service Centre and Leisure).

Growth & Prosperity comprises Transport and Planning including strategic partner spend, Economic Development and Regeneration, Corporate Estates and Assets, and Culture and

Tourism. The Home to School Travel Service is also in this directorate having previously been transferred from Children and Learning to Place.

The Corporate Services Directorate has been re-titled Enabling Services reflecting its focus on enabling services in the wider organisation to deliver on their priorities.

Overall Directorate expenditure is planned to grow by

- £9.2M from 2024/25 to 2025/26.
- £8.7M from 2025/26 to 2026/27.
- £9.0M from 2026/27 to 2027/28.
- £6.0M to 2028/29.

This is before any reductions in spending from the Transformation Programme. These savings will be reflected when they are signed off and there is sufficient confidence to include the savings in the MTFs and future budgets.

Several proposed transformation savings are partially deliverable in 2024/25 and when these have been validated and are deliverable, they will similarly be reflected in the MTFs. The mechanism to make these adjustments will be the quarterly MTFs refresh, and any in-year savings will be transferred to contingency to offset the EFS borrowing requirement.

Forecast Movements in Directorate Budgets

The main forecast movements in Directorate budgets relate to assumptions on:

- Pay and Price Inflation;
- Demography;
- Changes in Service Specific Grants;
- Pressures;
- Savings; and
- Reversals, Executive Commitment, and other adjustments.

These forecast movements and associated assumptions are summarised in Table 6 below. Further detail is provided in the subsequent paragraphs.

Movements in individual directorates are shown at Annex 1.

Table 6: Forecast Movements in Directorate Budgets

| All Directorates | Forecast 2025/26 Budget £M | Forecast 2026/27 Budget £M | Forecast 2027/28 Budget £M | Forecast 2028/29 Budget £M |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Pay and Price Inflation | 6.48 | 6.32 | 6.09 | 5.31 |
| Demography | 2.34 | 2.35 | 2.59 | 0.72 |
| Changes to Specific Grants | 1.91 | 0.02 | | |
| Pressures | (1.61) | (0.53) | | |
| Savings | (0.59) | (0.12) | | |
| Executive Commitments | (0.34) | | | |
| Reversals and other adjustments | 0.99 | 0.63 | 0.29 | |
| Total | 9.18 | 8.66 | 8.97 | 6.03 |

Pay and Price Inflation

Pay and price assumptions are revisited on a quarterly basis with September Consumer Price Index being the key indicator for funding. The assumptions on pay and price inflation are set out in Table 7 below:

Table 7: MTFS Inflation Assumptions

| MTFS Assumptions | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|
| Pay inflation (%) | 2.0% | 2.0% | 2.0% | 2.0% |
| Consumer Price Index (CPI) (%) | 2.1% | 2.0% | 2.1% | 2.0% |
| Adult Social Care Provider Uplift (£M) | 2.50 | 2.50 | 2.50 | 1.50 |
| Contract Inflation | 3.2% | 2.6% | 2.0% | 2.0% |

Pay inflation has been set at 2% per annum for the period of the MTFS period to recognise falling inflation in the wider economy. As in previous years, including 2024/25, any excess in actual pay awards will need to be met from cash limited budgets.

The inflation trend is recognised in the projection for CPI which is estimated to be on or around the Bank of England's central target for inflation. This target was met in the twelve months to May 2024 following a period of high inflation.

The Council's pay and price inflation forecasts also recognise specific areas of higher price pressures. For this reason, a provider price uplift of £2.5M additional per annum is provided for adult social care recognising market conditions in that sector.

Contract inflation covers the Council's major supplier and third-party contracts. The sums provided in the MTFS are for average likely increases (based on specific sector indices). These are adjusted at budget preparation for the financial year ahead to reflect actual increases that are built into individual contracts (usually by way of a formula or reference to a specific index).

Table 8 below shows the impact of inflation projections on individual directorates:

Table 8: Pay and Price Inflation (by Directorate)

| Directorate Inflation | Pay | Price | Total | Pay | Price | Total | Pay | Price | Total | Pay | Price | Total |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025/26 | 2025/26 | 2025/26 | 2026/27 | 2026/27 | 2026/27 | 2027/28 | 2027/28 | 2027/28 | 2028/29 | 2028/29 | 2028/29 |
| | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M | £M |
| Children & Learning | 0.64 | 0.00 | 0.64 | 0.66 | 0.00 | 0.66 | 0.66 | 0.00 | 0.66 | 0.67 | 0.00 | 0.67 |
| Community Wellbeing | 0.47 | 2.66 | 3.13 | 0.48 | 2.64 | 3.12 | 0.50 | 2.60 | 3.10 | 0.48 | 1.62 | 2.10 |
| Enabling Services | 0.49 | 0.18 | 0.67 | 0.50 | 0.15 | 0.65 | 0.50 | 0.11 | 0.61 | 0.51 | 0.14 | 0.66 |
| Growth & Prosperity | 0.40 | 0.52 | 0.92 | 0.41 | 0.44 | 0.85 | 0.42 | 0.33 | 0.74 | 0.46 | 0.36 | 0.82 |
| Resident Services | 0.53 | 0.51 | 1.04 | 0.53 | 0.43 | 0.96 | 0.55 | 0.32 | 0.87 | 0.57 | 0.36 | 0.92 |
| Strategy & Performance | 0.09 | 0.00 | 0.09 | 0.09 | 0.00 | 0.09 | 0.11 | 0.00 | 0.11 | 0.14 | 0.00 | 0.14 |
| Total Directorate Inflation | 2.61 | 3.88 | 6.49 | 2.67 | 3.66 | 6.32 | 2.73 | 3.36 | 6.09 | 2.83 | 2.48 | 5.31 |

The overall increase in inflationary provision is nearly £6.5M for 2025/26 compared to the current years' budget. Of this £2.6M provides for pay inflation, £1.4M for price and contract price inflation, and £2.5M for adult social care provider uplifts. Similar increases are provided in subsequent years in line with the inflation assumptions set out in table 7.

Demography

The MTFS provides provision for demographic increases across a range of service areas to recognise increasing demand, population growth, the ageing population and demand for council services. The main demographic provisions in the MTFS period are set out below. These represent the increases over the 2024/25 base budget. The demographic changes in the MTFS are shown in Table 9 below:

Table 9: Current demographic change assumptions in the MTFS

| Directorate | Service Area/Client Group | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|---------------------|-------------------------------|---------------|---------------|---------------|---------------|
| Community Wellbeing | Older People | 0.72 | 0.72 | 0.72 | 0.72 |
| Children & Learning | Demand Pressure (Social Care) | 0.09 | | | |
| Growth & Prosperity | School Travel Service | 1.39 | 1.58 | 1.83 | |
| Growth & Prosperity | Concessionary Fares Patronage | 0.05 | 0.05 | 0.05 | |
| Resident Services | Waste Volumes - City Growth | 0.10 | | | |
| Resident Services | Homelessness | 0.00 | | | |
| Total | | 2.34 | 2.35 | 2.59 | 0.72 |

The demographic changes set out above have not been amended as part of the rebasing exercise. However, the intention is commission modelling work to review the Council's assumptions and methodology on demographic change and growth. This will be undertaken as part of the Prevention project in the Transformation Programme and will test and potentially revise the assumptions above.

Service Specific Grants

There are several service specific grants where there is no confirmation that funding will continue. This means that in the MTFs the assumption is that the base budget needs to increase in future years to compensate for this lost grant income. The grant income affected is shown in Table 10.

In the absence of confirmation of continuation of funding the impact of this is to increase the pressure on the MTFP and to increase the future years' budget gap.

Table 10: Service Specific Grants – Potential Lost Funding included in the MTFs.

| Directorate | Service Specific Grant | 2025/26 £M | 2026/27 £M |
|---------------------|---------------------------|---------------|---------------|
| Children & Learning | Family Hubs | 0.45 | |
| Children & Learning | Education Related | 0.02 | 0.02 |
| Community Wellbeing | ASC Market Sustainability | 0.95 | |
| Resident Services | Homelessness Grant | 0.50 | |
| Total | | 1.91 | 0.02 |

Note: No additional impact after 2026/27.

Notable grants where there is no confirmed future funding are the Family Hubs grant and the Adult Social Care Sustainability Grant. This will be reviewed again in Q2 post the General Election and any subsequent funding announcements.

Pressures and Savings

The pressures and savings built into the MTFs for 2025/26 and beyond relate to the full year effect or ramp up (or down) of changes agreed in previous years. They also include the removal of one-off pressures and savings, and unachievable savings from previous years.

The pressures and savings included in the MTFs are set out in Table 11 below. These are compared to pressures and savings built into the MTFs agreed as part of budget setting on 6 March 2024.

No new pressures or savings are proposed at this stage. These will be introduced in future MTFs updates and as part of the budget setting process for 2025/26.

Table 11: Savings and Pressures

| Pressures and Savings | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|---------------------------------|---------------|---------------|---------------|---------------|
| Pressures - MTFS6 March 2024 | (0.92) | (0.22) | | |
| Proposed Changes | (0.69) | (0.31) | | |
| Pressures - Rebased MTFS | (1.61) | (0.53) | 0.00 | 0.00 |
| Savings - MTFS6 March 2024 | (1.95) | (0.31) | | |
| Proposed Changes | 1.36 | 0.19 | | |
| Savings - Rebased MTFS | (0.59) | (0.12) | 0.00 | 0.00 |

The proposed changes are to reflect that some pressures and savings built in originally are superseded by the Transformation Programme, and for this reason are removed from the MTFS to be delivered through the transformation projects. When the savings (and reversals of pressures) are agreed these will be reflected in future MTFS updates. The net effect of these changes is to increase the budget gap (in 2025/26) by 0.7M.

Tables 12 and 13 set out the changes to pressures and savings, and where these are expected to be delivered:

Table 12: Pressures now being addressed within the Transformation Programme

| Directorate | Pressure Removed | Transformation OBC | 2025/26 £M | 2026/27 £M |
|---------------------|---|--------------------------------------|---------------|---------------|
| Children & Learning | Children's Social Care - Residential units | Demand Reduction | (0.04) | |
| | Workforce Academy | Right Children, Right Homes | 0.02 | |
| | Residential unit savings projections deferred | Demand Reduction | (0.21) | |
| Enabling Services | Fostering - savings projections deferred | Right Children, Right Homes | (0.18) | |
| | Supplier Management | <i>Offsets Savings Removal below</i> | (0.18) | (0.18) |
| | Additional costs of client care management system | Social Care Case Management system | | (0.10) |
| Growth & Prosperity | Investment Property additional income target not achievable | ADDP | 0.25 | |
| | Update of Local Plan | Growth and Prosperity Plan | 0.04 | |
| | British Libraries Business | Service Re-design | (0.10) | |
| | Property rental income | <i>Offsets Savings Removal below</i> | (0.40) | |
| Resident Services | Waste Operations - new staffing model | Waste, Fleet and City Services | 0.04 | |
| | Waste Operations - transformation costs | Waste, Fleet and City Services | 0.05 | |
| | Household waste recycling centre contract retendering | Waste, Fleet and City Services | 0.05 | |
| | Waste Service cost reductions not achievable | Waste, Fleet and City Services | (0.03) | (0.03) |
| Total | | | (0.69) | (0.31) |

Note: there are no changes beyond 2026/27

Table 13: Savings now being addressed within the Transformation Programme

| Saving removed | Transformation OBC | 2025/26 £M | 2026/27 £M |
|--|--------------------------------|---------------|---------------|
| Children's Residential unit projections | Demand Reduction | 0.15 | |
| Fostering | Right Children, Right Homes | 0.35 | |
| Project Manager Resource | Transformation Team | 0.05 | |
| Procurement savings (Supplier Management) | Offsets Pressure removal above | 0.19 | 0.19 |
| Finance Improvement | Reshaping Financial Management | 0.01 | |
| Founding partner contributions to Cultural Trust | Service Re-design | (0.01) | |
| Property rental income | Offsets Pressure removal above | 0.40 | |
| Waste Operations - service improvements | Waste, Fleet and City Services | 0.01 | |
| Waste Service cost reductions | Waste, Fleet and City Services | 0.03 | |
| Income from Dry Mixed Recyclables | Waste, Fleet and City Services | 0.03 | |
| Increase income from the City Golf Course | Leisure Strategy | (0.07) | |
| Review of the schools grounds maintenance contract | Waste, Fleet and City Services | 0.06 | |
| Outsource winter maintenance of mowers and plant | Waste, Fleet and City Services | 0.02 | |
| Street Cleansing Review | Waste, Fleet and City Services | 0.15 | |
| | | 1.36 | 0.19 |

Note: there are no changes beyond 2026/27

Other Changes – Reversals, Executive Commitments and MTFs Amendments

Reversals are largely one-off items from 2024/25 that are being reversed out for 2025/26 and future years. There is also the reversal of a one-year Executive Commitment of £0.34M for Homes for Ukraine.

The net effect of these reversals and other changes is an increase to the MTFP in 2025/26 of £0.6M

Other Income and Expenditure

Other Income and Expenditure includes Capital Asset Management and several centrally held budgets. The latter includes planned transfers and contributions to reserves and balances. All these movements are unchanged from the MTFs reported at budget setting on 6 March 2024.

The breakdown of assumptions to Capital Asset Management are shown in Table 14 below:

Table 14: Capital Asset Management

| Capital Asset Management | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|---------------------------------|---------------|---------------|---------------|---------------|
| Base Position | 12.86 | 15.79 | 18.32 | 19.83 |
| Inflation on Capital Projects | 0.10 | 0.11 | 0.08 | |
| Slippage and re-phasing | 0.18 | (0.06) | (0.15) | |
| Impact of higher interest rates | 1.46 | 0.84 | | |
| Borrowing on New Projects | 1.12 | 1.67 | 1.58 | |
| Other Adjustments | 0.07 | (0.03) | | |
| Total Movement | 2.93 | 2.53 | 1.51 | 0.00 |
| Revised Base Position | 15.79 | 18.32 | 19.83 | 19.83 |

The breakdown of the other elements of centrally held funds and planned transfers to and from reserves and balances are shown in table 15.

Table 15: Other Income and Expenditure Summary of Movements

| Summary of Movements | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|------------------------------|---------------|---------------|---------------|---------------|
| Base Position | 11.95 | 12.02 | 16.51 | 17.95 |
| Other Income and Expenditure | 1.68 | 1.00 | 0.00 | |
| Transfer to/from Reserves | 0.33 | 3.48 | 1.44 | |
| General Fund balances | (1.93) | 0.00 | 0.00 | |
| Total Movement | 0.07 | 4.49 | 1.44 | 0.00 |
| Revised Base Position | 12.02 | 16.51 | 17.95 | 17.95 |

Funding and Taxation

The assumptions on Funding and Taxation remains unchanged from the MTFS position reported in March.

These main taxation assumptions are summarised in Table 16.

Table 16: Taxation Assumptions

| Assumption | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|
| Increase in Core Council Tax Charge | 2.99% | 2.99% | 2.99% | 2.99% |
| Increase in Adult Social Care Precept | 0.00% | 0.00% | 0.00% | 0.00% |
| Council Tax Base (No. of Band D equivalents) | 67,725 | 67,672 | 67,543 | 67,543 |
| Increase in Small Business Rates Multiplier | 3.20% | 2.10% | 2.00% | 2.10% |
| Increase in Standard Business Rates Multiplier | 3.20% | 2.10% | 2.00% | 2.10% |
| Change in Revenue Support Grant | -14.00% | -11.10% | -12.10% | -14.80% |
| Change in Top Up Grant | 3.20% | -30.60% | 2.00% | 2.10% |

This assumes funding growth of £2.9M from 2024/25 to 2025/26 and subsequent increases of £1.3M and £3.8M respectively.

In relation to Council Tax, the assumption is for a 2.99% increase in core council tax each year which is the maximum currently allowable without referendum. It also assumes the introduction of the second homes premium from 2025/26. The MTFS has however not assumed a continuation of the 2% additional adult social care precept.

The main underlying funding assumption in the MTFS is that the settlement funding assessment (SFA) for 2025/26 onwards will remain at the same cash amount for 2024/25, as indicated by the spending plans in the government's 2023 Autumn Statement. SFA comprises RSG and business rates baseline funding and as the latter is assumed to increase with inflation RSG is expected to reduce. This assumption may change to allow inflationary growth on RSG. This is the assumption used in the budget gap scenario modelling (at Table 3 above) and will be confirmed once financial announcements have been made.

There are several known and anticipated changes to specific grant funding, and these are reflected in the assumptions in the table.

Benchmarking

To demonstrate that savings described in the transformation programme should be achievable benchmarking data has been produced and is set out in the table below. As with any benchmarking data there are limitations as it is generally a year behind, but it does give reassurance the savings should be achievable.

The benchmarking in Table 17 below has been derived from 2023 outturn figures. It shows how much Southampton would save if its cost per capita was the same as Portsmouth and the least expensive statistical neighbour in each area.

Table 17: Benchmarking Comparisons

| Area | Basis of Comparison | Potential Saving | |
|---------------------------------|---------------------|------------------|------------------------------------|
| | | Portsmouth CC | Lowest Spend Statistical Neighbour |
| All data based on 22/23 actuals | | £M | £M |
| Childrens Social Care Services | Under 18 Population | 14.6 | 40.1 |
| Adult Social Care | Over 18 Population | 21.0 | 40.6 |
| Environment & Regulatory | Population - all | 0.9 | 15.1 |
| Highways & transport | Population - all | 0.0 | 14.3 |
| Cultural & Related | Population - all | 0.0 | 9.8 |
| Planning and Development | Population - all | 3.9 | 9.7 |
| Housing | Population - all | 0.0 | 4.7 |
| Central Services | Population - all | 0.0 | 0.0 |

Where the figure is zero Southampton is less expensive per head. In the case of central services Southampton is the least expensive of all the statistical neighbours.

Collection Fund

There are no changes to the Collection Fund position because of the re-basing exercise. Therefore, the position reported in March is reflected in this MTFS update. That is, an attributable surplus on Business Rates of £3.2M and a deficit on Council Tax of £1M, a net surplus position of £2.2M.

To improve collection performance several initiatives are currently being implemented. To better monitor in-year collection performance an improved collection tracking approach is being developed, to monitor actual versus expected performance monthly. A new Income Collection Service is being implemented this year, that will take a centralised approach to debt management including on council tax. This is expected to increase collection performance and reduce debt levels.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a self-financing element of Council activity and covers both planned capital and revenue activity. The HRA can only be funded via the rents and other housing related charges it generates, being a ring-fenced account.

There are no changes to the HRA because of this MTFS rebasing exercise. The 2024/25 and future planned position of the HRA is therefore as approved by Council in March 2024, including capital investment proposals, stock investment and improvement, and planned increases in revenue balances.

The Transformation Programme includes proposals for a 'Being a Good Social Landlord Project' designed to fundamentally change the way the council delivers its landlord function. This includes by providing quality housing across the city and access to support when needed. The project will have implications for both HRA capital investment and operations, and these will be developed and incorporated into HRA business and service planning.

Capital Programme

The planned capital expenditure and the associated financing is detailed within the budget report that was approved by Council in March 2024. The Capital Programme for 2023/24 to 2028/29 totals £544.82M and includes £264.81M for the General Fund and £280.01M for the HRA.

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

The Transformation Programme will include the need to increase capital expenditure, and any proposed purposeful capital investment to support transformation will be brought forward for Cabinet approval in due course. This will be based on the Transformation Programme that is coming to Cabinet today for approval. Some elements of capital investment that will support transformation business cases are already included in the capital programme including for the social care case management system and investment in special schools.

There are therefore no proposed amendments to the Capital Programme, and therefore no additional revenue impacts have been factored into the MTFS.

Next steps

Over the next quarter the following actions will be taken to further develop the MTFS and model.

1. Updates with Cabinet and the management team to set clear financial policies.
2. Updates to further reflect new policies and strategies developed via transformational work.
3. Updates to reflect the outcome of any funding or legislative changes.
4. Updates to reflect the work being carried out on demand modelling and addressing this demand.
5. Further development of the business planning framework described in the MTFS report agreed at March Council, and the identification of further proposals to close the financial gap in 25/26 onwards.

Annex 1: Directorate MTFS movements 2024/25 to 2028/29

This annex sets out the Directorate by Directorate spend and funding movements from 2024/25 to 2028/29 showing how these change over the five-year life of the MTFP, starting with the base year (2024/25)

This is the position after the proposed changes and adjustments proposed in the main body of the report have been made. This then provides the base position for future MTFP quarterly updates and for budget setting 2025/26.

| Children and Learning MTFS Rebased Position | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Base Budget (commencing 2024/25) | 61.83 | 62.72 | 63.02 | 63.72 |
| Pay and Price Inflation | 0.63 | 0.66 | 0.66 | 0.67 |
| Demography | | | | |
| Continuing demand pressures - social care | 0.09 | | | |
| Pressures: | | | | |
| Residential Unit Pressures | (0.29) | (0.44) | | |
| Loss of Service Specific Grants: | | | | |
| Holiday Activities Fund. | 0.02 | | | |
| Family Hubs grant. | 0.45 | | | |
| Virtual School | | 0.02 | | |
| Savings | | | | |
| Reversal of prior year decisions: | | | | |
| Education Property Budget (Academisation) | 0.02 | 0.06 | 0.05 | |
| Net Movement | 0.90 | 0.29 | 0.70 | 0.67 |
| Forecast Budget | 62.72 | 63.02 | 63.72 | 64.39 |

| Community Wellbeing MTFS Rebased Position | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Base Budget (commencing 2024/25) | 97.66 | 102.46 | 106.29 | 110.11 |
| Pay and Price Inflation | 3.13 | 3.12 | 3.10 | 2.10 |
| Demography - Adult Social Care | 0.72 | 0.72 | 0.72 | 0.72 |
| Pressures | | | | |
| Loss of Service Specific Grants: Market Sustainability Grant | 0.95 | | | |
| Savings | | | | |
| Reversal of prior year decisions: | | | | |
| Net Movement | 4.80 | 3.83 | 3.82 | 2.82 |
| Forecast Budget | 102.46 | 106.29 | 110.11 | 112.93 |

| Enabling Services MTFS Rebased Position | 2025/26 £M | 2026/27 £M | 2027/28 £M | 2028/29 £M |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Base Budget (commencing 2024/25) | 26.52 | 27.37 | 28.71 | 29.32 |
| Pay and Price Inflation | 0.67 | 0.65 | 0.61 | 0.66 |
| Demography | | | | |
| Pressures | | | | |
| Rebasing | (0.03) | 0.03 | | |
| Additional cost of running local elections | | 0.27 | | |
| Loss of Service Specific Grants | 0.00 | | | |
| Savings | | | | |
| Fallow year elections - one year savings | (0.20) | 0.20 | | |
| Discontinue Insurance Schools IT Equipment | (0.01) | | | |
| Compliance savings | (0.02) | | | |
| Service Re-design Debt Management | (0.01) | | | |
| Supplier Management Redesign | (0.15) | | | |
| Reversal of prior year decisions and MTFS amendments | | | | |
| Contribution to self insurance fund (reverse holiday) | 0.70 | | | |
| Added Years Pension Payments | 0.02 | 0.19 | | |
| Change in contingency (Enabling Services Rebase) | (0.12) | | | |
| Net Movement | 0.85 | 1.35 | 0.61 | 0.66 |
| Forecast Budget | 27.37 | 28.71 | 29.32 | 29.98 |

| Growth & Prosperity | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|----------------|----------------|----------------|----------------|
| MTFS Rebased Position | £M | £M | £M | £M |
| Base Budget (commencing 2024/25) | 38.64 | 40.72 | 43.10 | 45.76 |
| Pay and Price Inflation | 0.92 | 0.85 | 0.74 | 0.82 |
| Demography | | | | |
| Home to school transport | 1.39 | 1.58 | 1.83 | |
| Concessionary fares patronage | 0.05 | 0.05 | 0.05 | |
| Pressures | | | | |
| Update of Local Plan | | (0.16) | | |
| Network Eagle Labs | (0.06) | | | |
| Procurement post in Corporate Estates team | (0.08) | | | |
| Visitor Economy | (0.05) | | | |
| Highways & Street Lighting Contracts Pressure & Unachievable Income | (0.06) | 0.01 | | |
| Loss of Service Specific Grants | | | | |
| Savings | | | | |
| Service Redesign - Construction project delivery | (0.01) | (0.01) | | |
| Service Redesign - Design Team | | (0.11) | | |
| School Crossing Patrol Service Reduction | (0.03) | | | |
| Reversal of prior year decisions and MTFS amendments | | | | |
| Building Control - Competition Account Review | | 0.14 | 0.04 | |
| Founding partner contributions to Cultural Trust | | 0.03 | | |
| Sale of Library Bus | 0.01 | | | |
| Net Movement | 2.08 | 2.38 | 2.66 | 0.82 |
| Forecast Budget | 40.72 | 43.10 | 45.76 | 46.57 |

| Resident Services | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|----------------|----------------|----------------|----------------|
| MTFS Rebased Position | £M | £M | £M | £M |
| Base Budget (commencing 2024/25) | 25.14 | 25.61 | 26.38 | 27.44 |
| Pay and Price Inflation | 1.04 | 0.96 | 0.87 | 0.92 |
| Demography | | | | |
| Waste volumes due to City growth | 0.10 | | | |
| Pressures | | | | |
| Temporary closure of Itchen Bridge for capital works | (0.44) | | | |
| Private Sector Housing condition survey | | (0.25) | | |
| Housing Benefits Subsidy & homeless costs | (0.60) | | | |
| Loss of Service Specific Grants | | | | |
| Homelessness grant (covering staff cost) | 0.50 | | | |
| Savings | | | | |
| Barrier control at Mayflower Park | (0.04) | | | |
| To simplify the Itchen Bridge tariff | (0.13) | | | |
| Executive Commitments | | | | |
| Homes for Ukraine - reverse commitment to fund in lieu of grant confirmation | (0.34) | | | |
| Reversal of prior year decisions and MTFS amendments | | | | |
| Waste Transformation Budget | 0.12 | 0.01 | | |
| Electricity generation in Waste contract | 0.00 | | 0.20 | |
| Private Sector Housing Condition Survey | 0.25 | | | |
| Prior Year Virements (Strategy and Performance) | | 0.05 | | |
| Net Movement | 0.47 | 0.77 | 1.07 | 0.92 |
| Forecast Budget | 25.61 | 26.38 | 27.44 | 28.37 |

| Strategy and Performance | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|----------------|----------------|----------------|----------------|
| MTPF Rebased Position | £M | £M | £M | £M |
| Base Budget (commencing 2024/25) | 3.93 | 4.02 | 4.06 | 4.16 |
| Pay and Price Inflation | 0.09 | 0.09 | 0.11 | 0.14 |
| Demography | | | | |
| Pressures | | | | |
| Savings | | | | |
| Reversal of prior year decisions and MTFS amendments | | | | |
| Prior Year Virements (Resident Services) | | (0.05) | | |
| Net Movement | 0.09 | 0.04 | 0.11 | 0.14 |
| Forecast Budget | 4.02 | 4.06 | 4.16 | 4.31 |