

Strategic Context

There are a number of strategies, policies and plans which impact on the direction of the council and the day-to-day operations therefore impacting on the MTFS. A one-year corporate plan update was published in 2024 to allow us to sequence a series of interlinked strategies in 2025. This year the council will publish a five-year city plan and subsequently a corporate plan setting out how we will lead delivery of the city-wide missions it sets out. These missions will be based on feedback from residents, partners and businesses from across the city.

Southampton City Council Corporate Plan Update 2024

The MTFS is framed by the council's update which sets out the direction for the council and shows how the council will play its part in fulfilling Southampton's huge potential. The 2024 Corporate Plan update sets out how, with a challenging financial position, we needed to make some difficult decisions to get us to a place that meant we have a balanced budget for 2025/26 and confidence that the planned budget is sustainable.

A new multi-year corporate plan will be published in 2025 replacing the 2024 update.

Southampton City Plan 2025-30

The [City Strategy 2015-2025](#) expires this year and work is underway on a new ten year city plan. The new plan will set out a set of missions for Southampton. These missions reflect the views of residents, partners and businesses that have been shared over a five month engagement process.

Other Major Strategies

Customer Access Strategy 2022-2026

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

With the following key principles:

1. Centralised front door – initial contact is funnelled through a central point where requests can be filtered and assessed so only cases which need to, are put through to delivery teams. This approach can maintain a strategic overview of customers and the services they use/need.
2. Triage and signpost – the front door needs to be more than an access point, being able to triage and signpost where needed, adding value to the customer and managing demand. First time resolution may be achieved at this point.
3. Choice of channel (and location) – the right access point for the customer / situation, easy access depends on choice and keeping the channels on offer under review. Each channel should have a plan for improvement / development to ensure it is meeting the needs of those who use it.
4. Reducing unnecessary contact – proactive communication and updates can reduce the amount of contact from customers finding out what is happening about a situation or open case.
5. Every interaction matters – because of the size and complexity of the organisation there are lots of 'touchpoints' with customers from initial contact to service delivery and directly accessed services, each one of these is important in supporting the customer focus of the organisation. It is important to be aware of the whole and take responsibility for customers, effectively signposting or supporting. A 'that's not my department' approach will only create further issues. This is also important in the way we refer to the council in conversations or communications as one brand, not emphasising lots of different team or service names.

Digital Strategy 2024-2030

A new Digital strategy was agreed in 2024 to cover the period to 2030 and to be in line with the current corporate plan.

The Digital Strategy 2024-2030 covers the vision, drivers, priorities for digital service to support the aims of the wider organisation as set out in the corporate plan.

The vision is to ensure our people have the skills, data and technology to deliver the best possible services for our communities and city and to lead Southampton as a digitally enabled city.

The delivery of the strategy is split into 4 themes covering:

- People and Skills – ensuring our staff and digital teams are equipped with the right skills to deliver high quality, customer focussed digital services.
- Organisations and Processes – ensuring processes are reviewed and if updated they are done so in line with the organisation design principles and digital service design principles.
- Digital Service Design, planning and implementation – ensuring consistency in the approach to design of digital services with focus on the customer and end user.
- Technology and Architecture – underpinning the main themes with a strong and resilient technology stack and approach to the organisations digital architecture.

People strategy

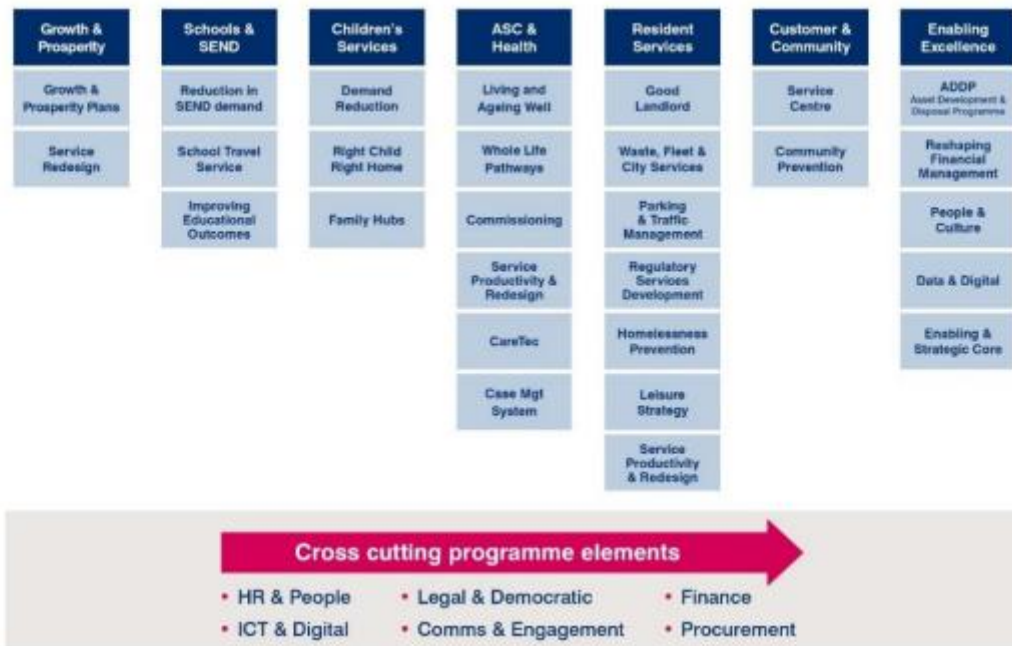
The People Strategy sets out the aim of *empowering our people to realise their full potential, driving growth, success and prosperity for Southampton.*

The priority outcomes delivered by the People Strategy will be:

- A talented workforce that is inclusive and reflects our ambitious and diverse city;
- We are future focused, deliver sustainable growth and provide development opportunities for all;
- To be a brilliant employer, promoting Southampton as a great place to work and live;
- Empower all colleagues to be brave, creative and collaborative to embrace change and continually improve;
- An organisation that makes informed decisions and proactively enables solutions;
- Putting people, partnerships and relationships at the heart of everything we do;
- To connect and reconnect colleagues, working together as One Council with pride in our places and spaces;
- Support positive change and successful implementation of the Council's vision, values and adapt, grow, thrive transformation plan.

Transformation Programme

To address the range of challenges that the council faces, including a significant structural budget deficit, we are delivering change across the organisation through a single Transformation Programme called adapt | grow | thrive. The Programme is addressing what we do, how we do it, and what technology, process and structural changes are needed to enable us to reshape the council to deliver for our residents in the challenging context we face. The content and delivery of the programme is organised within seven portfolios, containing a total of 28 programmes of activities.



We are working with our transformation partner Newton to deliver the scale and pace of change required to deliver our ambition. Overall, the Transformation Programme has identified c£50M of financial savings opportunities across the Medium Term Financial Strategy (MTFS) period (further details are provided later in the local financial forecast).

Key Financial Strategies

Capital Strategy

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

Flexible Use of Capital Receipts Strategy

This sets out the council's strategy for using capital receipts to fund transformation expenditure. It is a requirement to have and maintain this strategy to make use of this flexibility to finance revenue costs from capital resources. The cost of the transformation is currently built into the MTFS assumptions and costs in 2024/25 and 2025/26 have been included as part of the councils Exception Financial Support (EFS) capitalisation direction. Therefore, a Flexible Use of Capital Receipts Strategy is not required at present. Should this position change, a strategy will be presented to Full Council early in 2025/26.

Treasury Management Strategy

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

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

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

External Funding Strategy

Southampton City Council is developing a rigorous and innovative approach to grants and external funding that will benefit both the city and the council. The ambition is to develop a culture of securing funding that supports the priorities of the Corporate Plan and supports purposeful investment to mitigate revenue budget pressures. To do this the Council aims to build confidence and skills to secure external funding, identify opportunities for collaboration, and to promote robust governance and resource planning. An internal Grants and External Funding Strategy (2024-27) has been developed and sets out how we will achieve these through an External Funding Framework focusing on four areas: developing the knowledge and skills of staff, enhancing the council's influence and collaboration, ensuring funding is impactful through bid development and delivery, and establishing effective governance, funding tools and best practice. Successes achieved over 2024 include: Adult Social Care £260k, Young Peoples £25k, Southampton Safe City Partnership £32k, Stronger Communities £50k, Environment £75k.

Policies, plans and other factors

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

Demographics

The most recent data available for the population of Southampton is the Hampshire County Council Small Area Population Forecasts. This puts the total people resident in Southampton at 264,957 in 2023. The overall resident population is projected to increase by 7.5% between 2023 and 2030, from 264,957 in 2023 to 284,924 in 2030.

Some key headlines from the most recent Census in 2021 show that:

- Southampton has 102,291 households, of which 33,711 are one person households (increasing by +1.4% since 2011). Lone parent households have increased from 10.2% of households in 2011 to 11.0% in 2021.
- The population aged under 5 years of age decreased by 10.5% and the population aged 5 to 14 increased by 20.9% compared to 2011. Additionally, the number of people aged 65 to 84 increased by 13.7% and people aged 85 and over decreased by 2% compared to the 2011 Census data.
- Around 1 in 4 Southampton residents (60,099) were born outside the UK (compared to 1 in 6 nationally). This is an increase of 44.3% from 2011, reflecting how much Southampton attracts people from elsewhere, such as students and migrant workers.
- Over half (52.8%) of the 60,099 residents in Southampton who were born outside the UK, arrived in the city over the last decade (since 2011). The majority were of working age when arriving in the UK, with the greatest proportions aged between 25 to 44 years (39.1%) and 18 to 24 years (28.7%).
- About 6 out of 7 people (aged 3+) in Southampton (84.6%) have English as their main language, which is slightly lower than in the 2011 Census (88.2%). For just over 37,000 residents (15.4%), English is not their main language. Of these, 5,398 (14.6%) cannot speak English well and 761 cannot speak English at all. The most spoken languages in Southampton (other than English) are Polish (4.3%), Romanian (1.3%) and Chinese (0.9%).
- Southampton is getting more culturally diverse, with 68.1% of residents coming from a white British background, a decrease of 7.9% since the 2011 Census.
- Among the city's population, 43.4% report having no religion, 40.1% report to be Christian and 5.6% report to be Muslim.

- There are 6,361 UK veterans in the city (4,770 UK armed forces veterans, 1,346 UK reserve armed forces and 245 veterans serving in both).

Life expectancy at birth in Southampton is falling slightly when compared to the England average, for males the average in Southampton is 77.9 years and female life expectancy is 82.3 years. The over 65 population is set to increase by 18.2%, or 7,014 people, between 2023 and 2030, with the over 75 population set to increase by 17.8%, or 3,445 people. Looking at longer term projections, between 2018 and 2043, based on past trends, the over 65 population is predicted to increase by 35.0% or 11,715 people from 33,508 in 2018 to 45,223 in 2043. The over 90 population is predicted to rise by 67.8% percent from 1,804 in 2018 to 3,028 in 2043. Southampton’s population is predicted to rise by 7.1% by 2043.

Socio-Economic Factors

Southampton is ranked 55th on the overall Index of Multiple Deprivation (IMD) 2019 out of the 317 Local Authorities in England (1 equals the most deprived). Previously for IMD 2015 Southampton ranked 54th so has become relatively less deprived. 7 out of 16 wards have some areas which are within the 10% most deprived areas in the country. The IMD focuses on the geographical profile of poverty but there is also a link between equality strands and risk factors for poverty. The IMD from 2019 is the most recent to be published and is largely based on data from 2015/16.

The employment rate in Southampton is 76.0% slightly higher than the England average of 75.7%. The percentage of economically active population aged 16 to 64 living in Southampton with no or low number of qualifications is 7.7% higher when compared to England (5.8%). When looking at the pay gap between people living and working in the city, residents are on average paid £25.9 a week less than those people who work in the city (gross weekly pay of £689.9 for residents and £715.8 for workplace).

Children’s Social Care Demand

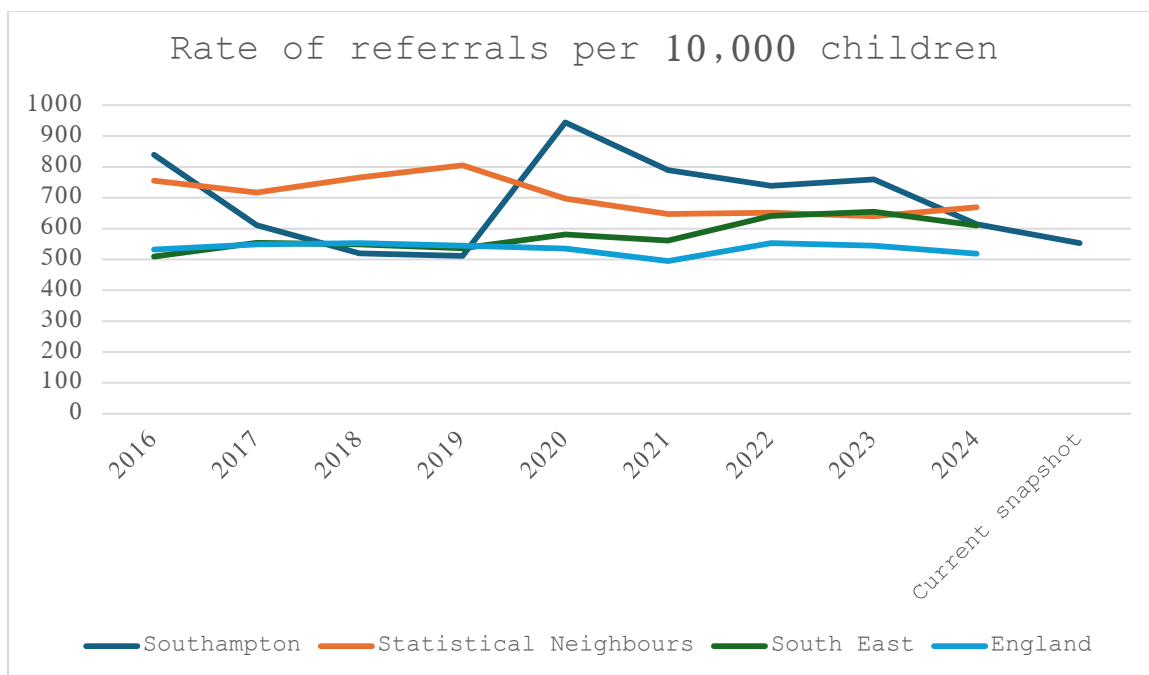
Referrals into Children Services

The trend between 2015 and 2020 was a reducing rate of referrals. In 2020, in line with the national trend, there was a significant spike for Southampton linked to the COVID pandemic. Since then, the trend has been steadily reducing and is closer now to pre-pandemic levels.

There will be a range of reasons for this steady reduction, including significant work with partners through the Safeguarding Partnership, a ‘Team Around the School’ approach, better early intervention and support to referring professionals to identify alternative sources of support for families. The Family Safeguarding model, introduced in June 2024 has also contributed to this reduction. Our rate at the end of 2024 was the lowest it has been since 2020, we are now below the statistical neighbour average and close to the Southeast region average, which we have subsequently passed.

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

Measure	2016	2017	2018	2019	2020	2021	2022	2023	2024	November 2024
Southampton	839.1	610.9	519.4	511.1	943.9	789.9	738.1	759.8	614.2	553
Statistical Neighbour	755.5	717.0	765.9	805.3	696.9	646.8	651.7	640.1	669.1	Not available
South East	509.5	553.8	548.4	535.8	581.1	560.6	640.5	654.6	609.5	Not available
England	532.2	548.2	552.5	544.5	534.8	494.3	552.9	544.5	518.3	Not available

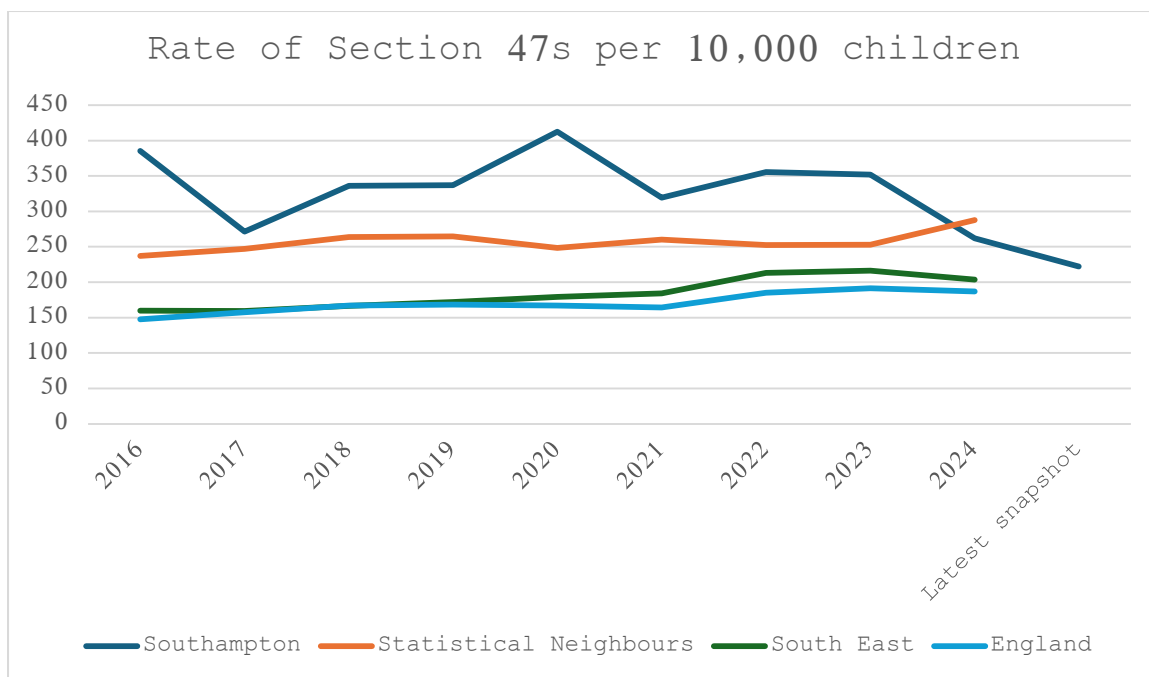


Rate of Section 47 Child Protection Enquiries

Prior to 2023, our rate of S.47s was well above our statistical neighbour average, suggesting that we were intervening at a statutory level too frequently with families. The National Framework and Working Together 2023 call for professionals who are supporting children to refocus on relationship-based approach with families, with collaborative practice, flexibility regarding who is the lead professional supporting children. National guidance differentiates clearly between families in need of support and children in need of protection. Through joint work with the police and partners, we have been able to reduce our S.47 activity to below that of statistical neighbours and towards the Southeast average. These families do receive support but at a level that is commensurate with need and risk.

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

Measure	2016	2017	2018	2019	2020	2021	2022	2023	2024	November 2024
Southampton	385.5	271.3	336.3	337.0	412.7	319.5	355.7	352.0	262.0	222
Statistical Neighbour	237.2	247.1	264.0	264.6	248.6	260.0	252.5	253.0	287.8	Not available
Southeast	159.8	159.4	166.7	172.1	179.1	184.4	213.1	216.1	203.5	Not available
England	147.7	157.6	166.9	168.3	167.2	164.4	185.2	191.6	187.1	Not available

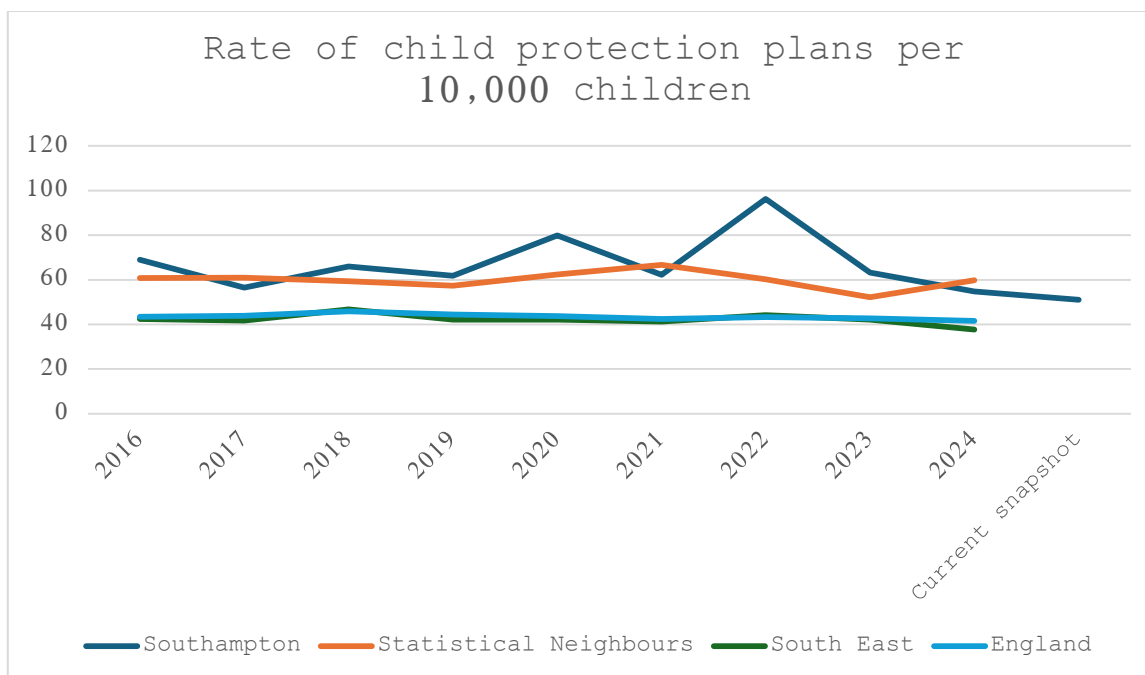


Rate of Children subject to Child Protection Plans

The numbers of children subject to a CP plan spiked in January 2020, and then again in January 2022. The latter increase was linked to the impact of COVID on children and families' resilience and mental health, the long periods of time where families were more isolated, under increased stress and pressure, and where children were not seen consistently by professionals. Significant work was undertaken including a restructure of the service in 2022 to strengthen the interventions offered to families at the earliest opportunity to reduce the harm for children. This has resulted in a 43% reduction in the rate of children subject to CP plans from the peak in 2022 to March 2024, and a further 7% since then. This approach has been built upon further in 2024 with the introduction of the Family Safeguarding Model where specialist adult mental health, domestic abuse and substance use practitioners are now working within multi-agency teams alongside social workers and family practitioners. The expectation is that robust Child In Need plans with specialist workers informing the planning and direct work with families will reduce the harm children experience and in turn result in less children requiring a CP plan.

Rate of child protection plans per 10,000

Measure	2016	2017	2018	2019	2020	2021	2022	2023	2024	November 2024
Southampton	69.0	56.5	65.9	61.8	79.9	62.3	96.2	63.2	54.8	51
Statistical Neighbour	60.8	61.0	59.3	57.4	62.4	66.7	60.2	52.2	59.8	Not available
Southeast	42.4	41.7	46.8	42.2	42.1	41.3	44.2	42.2	37.7	Not available
England	43.4	43.8	45.9	44.5	43.7	42.4	43.3	42.7	41.6	Not available

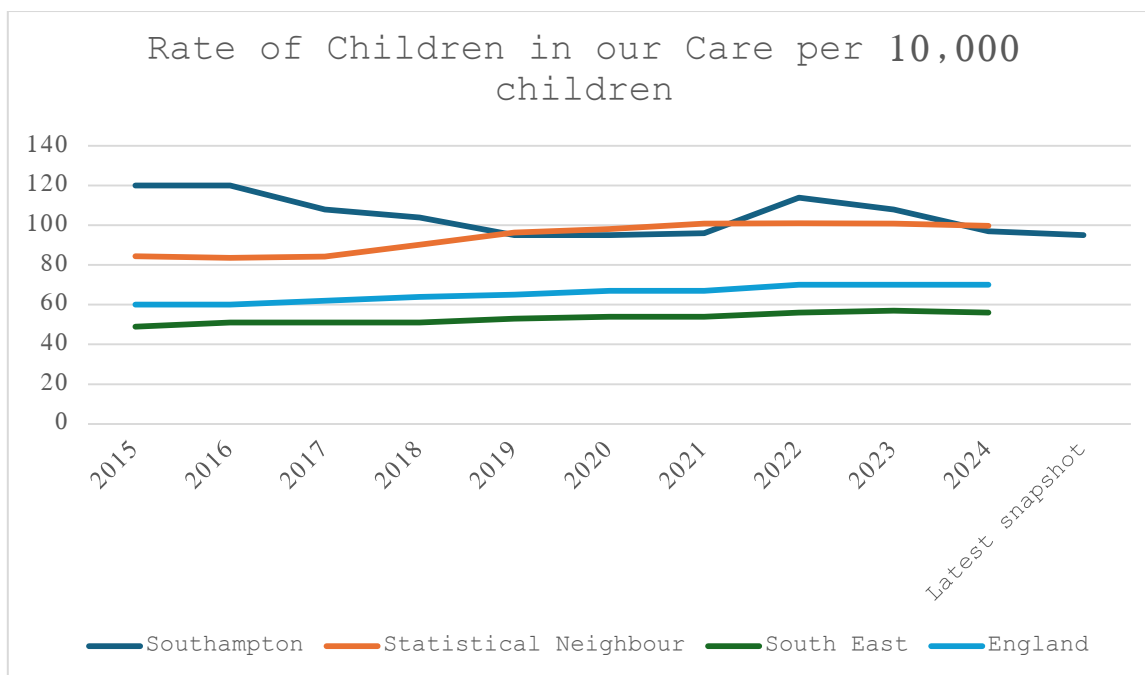


Rate of Children in our Care

Between 2010 to 2015, the rate of Looked After Children (per 10,000 children aged under 18) increased by 42.9% in Southampton, compared with a 5.3% increase nationally (England average). Since 2017, statistical neighbour rates of children in care have been rising, as have the Southeast region and England averages. During this time, the Southampton rate was reducing, until 2021/22 when a group of children at risk needed to be accommodated in order to safeguard their welfare (as a result of focused improvement work and changes in leadership), increasing the rate to 114. Since then, extensive work on safely reunifying children with their families (where circumstances have changed since they came into care) and supporting children to live safely within their extended family networks, as an alternative to them coming into care, has resulted in the rate steadily reducing, returning to 97 in April 2024, and 95 in November 2024.

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

Measure	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Nov 2024
Southampton	120	120	108	104	95	95	96	114	108	97	95
Statistical Neighbour	84.4	83.7	84.3	90.2	96.4	98.1	100.8	101.0	100.9	99.8	Not available
Southeast	49	51	51	51	53	54	54	56	57	56	Not available
England	60	60	62	64	65	67	67	70	70	70	Not available



Children in Care Placement types

The number of children placed within our own foster care households has remained steady at between 200 and 220 since December 2023; on average this has been 43% of the cohort of looked after children. This has remained steady in the context of the overall numbers of children in our care reducing and during and post-pandemic where most local authorities saw a decline in the recruitment and retention of in-house foster carers. In the same period, children placed in Independent Fostering Agency (IFA) placements, has reduced 10% from 128 to 115. These placements remain two or three times more expensive than our own placements.

The number of SCC children living in children's homes has steadily reduced from 41 in December 2023 to 32 as of December 2025 (from a high of 54 in October 2021). The reduction is due to focused, detailed work identifying opportunities for children who are living in a children's home to return either to their own family or to a foster family. This is enabling children who do not need a residential care package to benefit from living in a family environment, ideally close to their own family and friends. This is underpinned by a strong reunification framework, with comprehensive assessments of birth parents and extended family members, and enabling the safe reunification of children who need and wish to live within their own families. This framework and approach was commended by Ofsted during the last inspection of children's services in Southampton in 2023. Active care planning is underway for a small cohort of children living in to move from residential care to a family setting in a planned way once a suitable match is identified. The national shortage of IFA placements creates challenges when trying to create positive move-on plans for this cohort.

During 2024/25, the local authority has firm plans to open two children's homes, enabling us to keep children who need a residential care placement close, cared for by our own staff, and ensuring that they remain connected to their friends, families and schools. More recently a third property has been secured to further increase the local resources for this cohort.

The number of children in care living in unregistered, semi-independent placements has reduced from 44 to 15 over the course of 2024. This follows the duty placed on these providers to become registered with Ofsted. The remaining providers are waiting for registration visits.

Number of Care Leavers

Our cohort of care experienced young people entitled to support from the local authority aged between 19 and 21 has increased by 60% from 120 in 2015 to 192 in 2024. During the same period the increase for the South East region was 47%, and 41% within our statistical neighbours. We also have care leavers aged 16 – 18 that we provide a service to, and the total cohort in Southampton has increased from 300 in

December 2023 to 322 in December 2024. It is forecast to increase during the next financial year to reach 350 care leavers by end of March 2026.

Number of Care Leavers (former relevant) aged 19-21 years

Measure	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Nov 2024
Southampton	120	130	125	124	127	125	140	145	161	192	
Statistical Neighbour Average	175	175	183	186	194	208	224	228	235	247	
Southeast	3750	3750	3920	4340	4690	4750	4780	5000	5260	5510	
England	26,330	26,340	27,010	27,990	29,460	30,870	32,200	33,300	34,480	36,110	

Physical-environmental factors

Housing

In Southampton 29% of residents live in privately rented accommodation, which is higher than the England average of 17%. There are around 6,500 Houses of Multiple Occupation (HMOs) in the city. Nearly a quarter of all homes are in the social rented sector with 15,814 managed by the council with 8,479 households on its housing waiting list. Over the last 12 months, there has been fluctuation related to the number of decent homes, landing at 49.31% in the last month. This is not an ideal position and there is an improvement plan in place to target improvement in decent homes figures. Part of the actions to target improvement of this figure is the procurement of an additional supplier who will focus solely on decent homes related works. That contractor is already in place and delivering at pace. For the forthcoming financial year, there is an increased allocation of decent homes funding, which we expect to result in a minimum 8% improvement in that figure in 2025/26. The most up to date housing target for Southampton is 1214 dwellings per annum. This has been calculated using the new standard methodology for calculating housing need as set out in the National Planning Policy Framework (Dec 2024) and supporting national planning policy guidance (Dec 2024). This methodology will be used during the ongoing preparation of the Council’s new Local Plan, ‘Southampton City Vision’. Using the current figure, this would require delivery of circa 19,500 new homes in the city between 2025 and 2041. The Council has established an Affordable Homes Framework with the view to working with providers to increase the supply of affordable homes across the city.

Wider Partnership Working

Better Care Fund

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

The Southampton Better Care Fund pools funding for a significantly greater number of services than the minimum required which is consistent with the ambition locally to integrate and pool resources at a scale to significantly transform its health and care services. The Southampton Better Care Plan has identified key areas where greater integration between Health and Social Care will make system wide efficiencies that will benefit both organisations. For the Council these efficiencies have been included within the medium-term financial forecast. In 2024/25 the combined Better Care Fund budget is £41.3M, comprising £25.4M for the ICB and £15.9M for the Council.

The provisional Better Care Fund Budget for 2025/26 is £41.7M comprising £25.4M for the ICB and £16.3M for the Council. The increasing contribution from the Council reflects the growth in the Disabled Facilities

Grant announced in the Provisional Local Government Finance Settlement 2025/26. There was no increase in the other Council funding sources identified in the settlement.

Strategic Contracts

The Council has, in previous years entered, into a number of strategic contracts which have resulted in ongoing financial commitments. These include PFI contracts for schools and street lighting, a highways services partnership and a long term waste disposal contract. Whilst these contracts are actively monitored and performance managed to ensure they deliver value for money, they are often difficult to renegotiate to reduce expenditure. Nevertheless, the Council has already realised savings in previous financial years. Further savings opportunities relating to these contracts are being actively explored. The financial health of our major contractors is kept under review as part of the monitoring arrangements. As these contracts are re-procured additional savings and cost avoidance opportunities are explored and realised where possible.

National and Local Policy

Devolution and Local Government Reorganisation

The Ministry of Housing Communities and Local Government (MHCLG) published a white paper on devolution on 16 December 2024. In January 2025 alongside Hampshire, Isle of Wight, and Portsmouth Southampton City Council submitted a joint expression of interest to be included on the priority programme for devolution. If successful, and following a public consultation and formal approval by Council, this programme will create a Mayoral Combined Authority covering the geography of the four councils, with Mayoral elections taking place in May 2026.

The combined authority would give more decision-making powers and funding to locally elected representatives. Individual councils will still continue to deliver the same services but will be able to work together on big infrastructure and transport projects, planning and housebuilding initiatives, and skills and employment programmes.

National Planning Policy Framework

The Ministry for Housing, Communities and Local Government (MHCLG) published its revised National Planning Policy Framework (NPPF) on 12 December 2024. The Government have revised the standard methodology for housing provision. Targets are now being made mandatory rather than advisory. The target for Southampton has been reduced as a consequence of the scrapping of a 35% urban uplift which previously applied to Southampton.

National economic and public expenditure plans

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

Autumn Budget 2024

The new government's first budget "Fixing the foundations to deliver change" was published on 30 October 2024. The key announcements were:

Local Government funding

- Additional £1.3Bn grant funding for local government in 2025/26, of which at least £600M is for social care. Results in a 3.2% real-terms increase in Core Spending Power.
- UK Shared Prosperity Fund - continued at a reduced level for a further year, providing £900M.
- Local Government funding reform - the government announced its intention to reform the funding formula for local government by "redistributing funding to ensure that it reflects an up-to-date assessment of need and local revenues." A subsequent statement from the Secretary of State confirmed "this will start with a deprivation-based approach in 2025/26 with additional funding targeted to the places that need it most. Broader redistribution of funding will follow through a multi-year settlement from 2026-27."

- Multi-year settlements - the Budget confirmed multi-year settlements stating that government will “simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement for local government so local authorities can plan more effectively”.
- Recycling funding - Local authorities are expected to receive around £1.1Bn of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025.
- Planning and fostering funding - the Budget allocates £165M to a range of Public Sector Reform and Innovation projects in 2025/26 “including to support foster carer recruitment and planning reform”.^[1]

Business Taxes

- 1.2% increase in employer’s national insurance contributions to 15% and reduction in the secondary threshold from £9,100 annual equivalent to £5,000 from April 2025.
- Employment allowance - which allows small companies to reduce their national insurance liability - to increase from £5,000 to £10,500.
- Business Rates – the current 75% relief (up to a £110,000 cap) for the retail, hospitality and leisure (RHL) sector was due to end this year. The Budget includes a new 40% relief for the RHL sector for 2025/26 up to a £110,000 cash cap. New permanently lower tax rates will be introduced for the RHL sector from 2026/27.
- The small business rate multiplier is being frozen for 2025/26 and the standard business rate multiplier increased by inflation.

Education, skills and families

- Core schools budget will be increased by £2.3Bn, increasing per pupil funding in real terms. £1Bn of this funding will go towards supporting the special educational needs and disabilities (SEND) and alternative provision equivalent to 6% real growth.
- VAT will be paid on private schools’ fees from Jan 2025 and charitable business rates relief will be removed from private schools from April 2025.
- Breakfast Clubs – £30M being provided for the rollout of free breakfast clubs in thousands of primary schools.
- Further education - £300M to “ensure young people are developing the skills they need to succeed” with a further £40M to deliver new foundation and shorter apprenticeships in key sectors as part of transforming the Apprenticeship Levy into a Growth and Skills Levy.
- Education capital funding – Up 19% to £6.7Bn for 2025/26 including £1.4Bn school rebuilding fund.
- Family Hubs - £69M to continue delivery of a network of Family Hubs.

Housing

- Affordable Homes Programme (AHP)– additional £500M announced to build up to 5,000 additional affordable homes, this increases the annual AHP budget to £3.1Bn.
- New Homes funding – over £5Bn confirmed for housing investment in 2025/26. Further £3Bn in guarantees for small housebuilders and Build for Rent sector.
- Social rent - consultation on a new five-year social housing rent settlement of CPI+1%.
- Homelessness - £233M additional funding for 2025/26 to prevent homelessness and rough sleeping and to prevent a rise in the number of families in temporary accommodation. This takes total spending to £1Bn in 2025/26.
- Cladding removal - £1Bn to remove dangerous cladding, including in social housing.
- Second Home Stamp Duty – the higher rates for additional dwellings (HRAD) surcharge will be increased by 2 percentage points from 3% to 5%.
- Disabled Facilities Grant - £86M increase to support around 7,800 more adaptations to homes.
- Right to Buy – reduced discount on right to buy discount confirmed though percentage amount unspecified. Will allow local authorities to retain 100% of the receipts, this is a 2-year extension of the existing temporary measure which has been in place since 2022/23. The government will also be launching a consultation on wider reform to the Right to Buy scheme shortly, including looking at

eligibility criteria and further protections for newly built social housing.

Transport

- Potholes – extra £500M announced for road maintenance.
- Additional transport funding - £650M announced for local transport funding outside of mayoral combined authorities.
- Fuel Duty - will be frozen for two years.
- Bus Fares – nationally bus fares have been capped at £2. The cap will increase to £3 from 1 January 2025.
- Active Travel funding - £100M in 2025/26.
- On-street electric vehicle charging points - £200M to be allocated to Local Authorities for 2025/26.
- M27 Junction 8 scheme has been cancelled due to deliverability/poor value for money.

Welfare

- £1Bn to extend the Household Support Fund (HSF) and discretionary housing payments into 2025/26.
- 'Get Britain Working' - £240M announced for trail blazer projects in local areas, to bring together work, health, and skills support to disabled people and the long-term sick.
- Carers Allowance - the earning limit for those in receipt of carers allowance will be increased to £10,000 meaning carers can now work up to 16 hours a week at Living Wage without losing the allowance.
- Work Capability Assessments (WCA) reforms announced in the 2023 Autumn Statement will continue to be delivered. Government estimates¹ suggest that by 2028/29 the changes will mean 424,000 fewer people will be assessed as having limited capability for work with a further 33,000 found fit for work.
- Universal Credit debt deductions from UC payments will be reduced from 25% to 15%.

Work and pensions

- National Living Wage (NLW) – will increase to £12.21 per hour from April 2025, a 6.7% increase. This is likely to affect 3 million people nationally and the increase may put pressure on the 2025/26 local government pay award.
- Minimum Wage for 18 to 20-year-olds to go up from £8.60 to £10 (16.3%) as part of a longer term plan to move to a single adult rate.
- The state pension will rise in line with average earnings as guaranteed by the triple lock, going up by 4.1% in April.

Public Health - Smoking and Alcohol

- Vaping and smoking taxes - a new tax of £2.20 per 10ml of vaping liquid will be introduced from October 2026. Tax on tobacco to increase 2% above inflation, and 10% above inflation for hand-rolling tobacco.
- Alcohol - tax on non-draught alcoholic drinks to increase by the higher RPI measure of inflation, but tax on draught drinks cut by 1.7%.

Net-zero

- Warm Homes Plan - £3.4Bn allocated to improve energy efficiency.
- Great British Energy – established with £125M funding in 2025/26.

Health

- NHS long-term plan - The updated NHS ten-year plan will be published in the Spring.

¹ [Work Capability Assessment Reform: update to estimated number of claimants affected - GOV.UK](https://www.gov.uk/government/news/work-capability-assessment-reform-update-to-estimated-number-of-claimants-affected)

- Funding increase - £22.6Bn increase to day-to-day health budget and £3.1Bn in capital budget for 2025/26.
- Repairs and waiting lists - £1Bn for health capital investments to deal with the backlog of hospital repairs and an increase of £1.5Bn for new beds and new surgical hubs.
- Productivity drive - NHS, and all government departments, are expected to deliver 2% productivity savings next year.

Devolution and growth partnerships

- Single settlements - confirmed the first Level 4 devolution deal integrated single funding settlements for Greater Manchester and the West Midlands Combined Authorities from 2025/26. Further Mayoral Combined Authorities will be announced as eligible for single settlements from 2026/27.
- MCA Transport schemes - £1.3Bn to improve city region transport schemes – this is for the existing Mayoral Combined Authorities. As noted above £650M was announced for non-MCA areas.
- An English Devolution White Paper will set out more detail on the government’s devolution plans, “including on working with councils to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people.”
- LEPs and Pan-Regional Partnerships - the Budget confirmed the Government’s intention to withdraw core funding for Pan-Regional Partnerships at the end of March 2025, subject to consultation. The Budget also confirms the government is minded to withdraw central government funding for the functions formerly delivered by Local Enterprise Partnerships after this year.

Local Government Finance Policy Statement 2025/26

On 28 November 2024 the government published a policy statement outlining its intentions for the 2025/26 local government finance settlement. The main features of the policy statement relevant to the city council are:

- Core Spending Power (CSP) will increase by 3.2% in real terms.
- New £600M Recovery Grant distributed to “places where, weighted by population, deprivation outweighs council tax raising ability”.
- £680M additional Social Care Grant (up from £600M announced in the Budget).
- New £250M Children’s Social Care Preventative Grant, to be distributed using a new children’s formula.
- Revenue Support Grant (RSG) will increase in line with the September 2024 Consumer Price Index (CPI) (1.7%), and the business rates Baseline Funding Level (BFL) and compensation grant will also increase with CPI.
- Core Council Tax referendum limit of up to 3% and 2% for the ASC Precept
- Services Grant (£87M in 2024/25) and Rural Services Delivery Grant (£110M in 2024/25) are abolished and the funding repurposed into the new Recovery Grant.
- New Homes Bonus (NHB) will be continued into 2025/26 but abolished in 2026/27.
- Various grants will be rolled into RSG in 2025/26 and other ring-fenced grants consolidated.
- Compensation will be provided for additional employer National Insurance Contributions costs for those directly employed by the public sector, including local government.
- £1.1 Bn of income expected through the Extended Producer Responsibility for Packaging (pEPR) scheme. Indicative allocations for 2025/26 to be shared by DEFRA with authorities by end of November – amounts guaranteed for 2025/26.
- National Minimum Allowance for foster carers to be uplifted by 3.55% for 2025/26.
- Extension of the Household Support Fund to the end of March 2026 announced in the Budget confirmed at a value of £742M.
- Funding reforms from 2026/27, built on the previous government’s “Fair Funding Review”, business rates retention reset and a multi-year settlement.
- The flexible use of capital receipts will be extended until 2030. Authorities will also be able to capitalise redundancy costs.

Local Government Finance Settlement 2025/26

The 2025/26 provisional settlement was announced on 18 December 2024, providing details of how resources announced in the October 2024 Autumn Budget have been allocated for 2025/26. The key principles that were set out in the policy statement issued on 28 November 2024 remain unchanged in the settlement announcement. The finance settlement is for 1 year only, with a spending review to take place in Spring 2025 ahead of funding reforms and a multi-year settlement for 2026/27 onwards. Headlines from the settlement are as follows:

- Core Spending Power will increase by 6.0% in 2025/26, an increase of £3.9Bn compared with 2024/25.
- Core Council Tax referendum limit of up to 3%, plus a 2% ASC Precept for social care authorities.
- Over £700M more grant funding has been announced in the provisional settlement compared with the Autumn Budget, although this includes £515M compensation for the increase in employer's national insurance contributions.
- A new £600M targeted Recovery Grant has been allocated using a formula that focusses resources on authorities that have high levels of deprivation and relatively low ability to generate council tax income.
- Social Care Grant will increase by £880M, £280M more than was announced in the Autumn Budget.
- A new £250M Children's Social Care Prevention Grant has been distributed using an interim children's relative needs-based formula. The grant was uplifted to £270M in the final settlement.
- Improved Better Care Fund and ASC Discharge Fund grant allocations remain the same as for 2024/25, however they have now been combined to form the Local Authority Better Care Fund totalling £2.64Bn. The Market Sustainability and Improvement Fund is the same as for 2024/25 (£1.05Bn).
- Revenue Support Grant has increased in line with the September 2024 Consumer Price Index (1.7%) and several small grants have been rolled in based on existing allocations. The business rates Baseline Funding Level has been uplifted by the increase in the standard business rates multiplier (1.67%).
- Services Grant (£87M in 2024/25) and Rural Services Delivery Grant (£110M in 2024/25) have been removed and the funding repurposed into the new Recovery Grant.
- Domestic Abuse Safe Accommodation Grant (£160M) is now included within core spending power and previous years comparatives adjusted.
- New Homes Bonus (£290M) continues for one more year, with no legacy payments.
- £100M will be distributed from the business rates levy account, allocations to be confirmed in the final settlement.
- £515M of funding will be provided for the increase in employer national insurance contributions for direct employees, to be distributed on the basis of 2023/24 Net Current Expenditure. Allocations were confirmed in the final settlement.
- A consultation has been published alongside the provisional settlement on the objectives and principles of local authority funding reform, with changes to be implemented from 2026/27.

The provisional settlement was subject to a consultation period which ended on 15 January 2025. The final settlement was published on 3 February 2025, ahead of the House of Commons debate on 5 February 2025.

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

Consultation on Funding Reform

The Government launched a consultation on funding reforms alongside the provisional local government finance settlement on 18 December 2024. The proposals are seen as building on the work of the previous government for the fair funding review and 2018 consultation, which was not implemented.

This consultation seeks views on the approach to determining new funding allocations for local authorities and covers:

- guiding objectives and principles
- measuring differences in demand for services and the cost of delivering them
- measuring differences in locally available resources
- the New Homes Bonus
- implementing changes and keeping allocations up-to-date

The funding reforms will include the Settlement Funding Assessment (SFA) and the Business Rates Retention System, including a full business rates baseline reset. It is likely any formula changes will also be applied to specific grants within Core Spending Power. The proposals will result in substantial changes in funding allocations and some form of transitional support will be put in place to smooth changes over several years.

The consultation closes on 12 February 2025.

Financial outlook for 2026/27 and after

The first phase of the new government's spending review focussed on 2025/26 and the local government finance settlement was for 1 year only. A fuller second phase of the spending review is planned to take place in Spring 2025 and multi-year settlements are expected to apply from 2026/27. The Autumn Budget published in October 2024 projected increases in day-to-day spending over this parliament of 1.5% in real-terms and increases of 1.7% for Departmental Expenditure Limits including capital spending. This is likely to mean real-terms cuts for unprotected services over the medium term, including those for local government. Although 2025/26 funding for local government announced in the Autumn Budget was better than had been expected, indications are that future settlements will be less generous and tough financial choices remain ahead. Coupled with this will be the outcome of the funding reforms and business rates baseline reset which are likely to have significant redistributive consequences. Assumptions have been made in the local financial forecast about future finance settlements and a business rates reset. The financial forecast does not include any impact of a change to the local government finance system pending the outcome of the review. Major demand pressures, particularly across social care, homelessness and special educational needs, together with pay and price inflation and the continuation of higher interest rates remain key factors in the sustainability of local government finance.