

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2013		
<b>DATE OF DECISION:</b>	19 NOVEMBER 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

### **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the six months to the end of September 2013, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet.

### **RECOMMENDATIONS:**

#### **General Fund**

It is recommended that Cabinet:

- i) Note the current General Fund revenue position for 2013/14 as at Month 6 (September), which is a forecast under spend at year end of **£1,214,300** against the budget approved by Council on 13 February 2013, as outlined in paragraph 4. This can be compared against the reported under spend at Month 3 of £151,300 which is an improvement of almost £1.1M.
- ii) Note that the baseline forecast over spend for portfolios is just under £6.1M.
- iii) Note that portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report and that the financial impact is reflected in the forecast position.
- iv) Note that further remedial action has been taken to rigorously control staff resource costs and to put in place a moratorium on all non essential expenditure for the remainder of the financial year.
- v) Note that the Risk Fund includes £5.7M to cover service related risks, (following the allocation of £94,400 to portfolios), and that the estimated draw at Month 6 is £5.0M to cover expenditure which is included within the baseline forecast portfolio over spend of £6.1M.

The portfolio position after the draw from the Risk Fund is an over spend of £1.1M.

- vi) Note that it has been assumed that the remaining contingency, which stands at £410,700, will be fully utilised by the end of 2013/14. The remaining contingency at Month 3 was t £110,700 and an additional £300,000 was added to this as set out in the recommendations contained within the General Fund Revenue Outturn 2012/13 report which was approved by Council in July.
- vii) Note the forecast level of balances, which will not fall below the revised minimum level of £5.5M in the medium term based on the current forecast.
- viii) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2013/14 as detailed in Appendix 10.
- ix) Note the performance against the financial health indicators detailed in Appendix 11.
- x) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 12.

#### **Housing Revenue Account**

It is recommended that Cabinet:

- xi) Note the current HRA budget monitoring position for 2013/14, as at Month 6 (September). There is a forecast over spend at year end of **£384,500** against the budget approved by Council on 13 February 2013, as outlined in paragraph 40. This can be compared against the reported over spend at Month 3 of £289,600 which is a change of £94,900.

#### **REASONS FOR REPORT RECOMMENDATIONS**

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. Not applicable

#### **DETAIL (Including consultation carried out)**

3. Heads of Service, Budget Holders and Directors have been consulted in preparing the reasons for variations contained in the appendices.

#### **Financial Summary**

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an under spend of **£1,214,300**, as shown below:

	<b>Forecast Outturn Variance £000's</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>6,080.0 A</b>	<b>3.2</b>
Draw From Risk Fund	4,955.9 F	
<b>Portfolio Total</b>	<b>1,124.1 A</b>	<b>0.5</b>
Capital Asset Management	800.0 F	
Non-specific Government Grants	1,538.4 F	
<b>Net Total General Fund</b>	<b>1,214.3 F</b>	<b>1.7</b>

5. As shown in the above table, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an over spend of £1.1M and this is analysed below:

<b>Portfolio</b>	<b>Baseline Forecast Outturn Variance £000's</b>	<b>Risk Fund Items £000's</b>	<b>Forecast Outturn Variance</b>		<b>See Appendix</b>
			<b>£000's</b>	<b>%</b>	
Change & Communities	128.9 A	245.7 F	116.8 F	3.1	2
Children's Services	4,310.0 A	2,800.0 F	1,510.0 A	4.3	3
Economic Dev & Leisure	303.6 A	115.0 F	188.6 A	3.1	4
Environment & Transport	201.8 A	55.0 F	146.8 A	0.5	5
Health & Adult Social Care	2,275.9 A	1,630.0 F	645.9 A	1.0	6
Housing & Sustainability	163.7 A	110.2 F	53.5 A	3.0	7
Leader's	106.0 F	0.0	106.0 F	3.0	8
Resources	1,197.9 F	0.0	1,197.9 F	2.8	9
<b>Portfolio Total</b>	<b>6,080.0 A</b>	<b>4,955.9 F</b>	<b>1,124.1 A</b>	<b>0.5</b>	

6. The corporate and key issues affecting each portfolio are set out in Appendices 2 to 9, as per the previous table.

### **Remedial Action**

7. Portfolios plan to take remedial action to manage a number of the corporate and key issues highlighted in this report. Specific actions are included within Appendices 2 to 9 where applicable and the financial impact is reflected in the forecast position.

8. In view of the difficult financial picture that is known for the medium term and which has been exacerbated as a result of the further announcements made over the Summer as a result of the Comprehensive Spending Review 2013 (CSR 13), it is vital that further remedial action is taken in year. Plans have been developed, the financial impact of which is reflected in the latest position.
9. There is already in place a rigorous process for all requests to fill vacant posts prior to external recruitment. The need to adopt a very challenging approach to all recruitment has been reiterated by the Chief Executive in a recent communication to all Managers, which effectively puts in place a recruitment freeze for all but the most essential vacant posts.
10. In addition, it was agreed by the Council Management Team (CMT) and Cabinet to put in place a spend moratorium on non essential expenditure for the remainder of 2013/14. This was agreed in order to ensure that the support which can be given to the challenging financial position the Council faces in both 2013/14 and future years can be maximised and was again specifically communicated by the Chief Executive to all Managers.

#### **Capital Asset Management**

11. The favourable variance of £800,000 is due to forecast interest payable being below that originally estimated, because of lower than anticipated borrowing costs, and forecast interest receivable being above that originally anticipated.
12. Net interest payable is lower than anticipated as a consequence of lower forecast borrowing levels and the fact that when we do borrow, it will in all likelihood, be at lower rates than originally estimated. Previously lower rates have been achieved through a conscious decision to continue to utilise short term variable rate debt that remains available at lower rates than long term fixed rate debt due to the depressed market. The prediction based on all of the economic data available is that interest rates will remain lower for a sustained period and that this situation will therefore continue throughout 2013/14 and beyond.
13. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.82%, which exceeds the performance indicator of the average 7-day LIBID rate (0.45%), mainly due to the rolling programme of yearly investments restarted in November 2012.

#### **Non-Specific Government Grants**

14. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of £1,538,400. There are three main elements that contribute to this variance:
15. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country.

As a consequence of this review, a “refund” of £391,400 has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13.

16. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
17. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. Therefore, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage, we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.
18. In addition to this, there have been a small number of grant notifications, which have differed slightly from the initial assumed level of funding.

### **Risk Fund**

19. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A sum of £5.7M is included in the budget to cover these pressures and is taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.
20. At Month 6, it is estimated that pressures within Portfolios will require the allocation of £5.0M from the Risk Fund, as shown in the table below, leaving a balance of £0.7M:

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000's</b>
Change & Community	Youth Remand	245.7
Children's Services	Tier 4 Services	2,200.0
Children's Services	Safeguarding Mgt & Legal Services	200.0
Children's Services	Child Protection Tier 3 Social Work	400.0
Economic Dev & Leisure	Sport & Rec. Energy	115.0
Environment & Transport	Waste Disposal Contract	43.0
Environment & Transport	Fuel	12.0
Health & Adult Social Care	Adult Disability Care Services	630.0
Health & Adult Social Care	Learning Disability	1,000.0
Housing & Sustainability	Sustainability – CRC Purchases	110.2
<b>Portfolio Draw From Risk Fund</b>		<b>4,955.9</b>

21. At this stage of the year, it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2013/14 but this position will be monitored. The provision made within the Risk Fund will be reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

### **Contingency**

22. At Month 3, the contingency stood at £110,700 following the allocation of £347,800 in Quarter 1. An additional £300,000 has been added to this as set out in the recommendations contained within the General Fund Revenue Outturn 2012/13 report, which was approved by Council in July to meet possible unplanned pressures in 2013/14.
23. If any pressures arise that require a draw on the Contingency, the implications for future years will be reviewed as part of the development of the budget for 2014/15.
24. A sum of £410,700 now remains in the Contingency and at this stage of the year it has been assumed that this will be fully utilised by the end of 2013/14.

### **Approved Carry Forward Requests**

25. Full Council has agreed to automatically carry forward any surplus/deficit on Central Repairs and Maintenance at year-end subject to the overall financial position of the Authority. Furthermore, Cabinet has approved the delegation of authority to the Chief Financial Officer (CFO), following consultation with the Cabinet Member for Resources, to allocate premises related resources (revenue and capital) in order to maximise the efficient use of resources in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy.

### **Potential Carry Forward Requests**

26. Portfolios have not highlighted any potential carry forwards for submission, which is not unexpected at this stage of the year.

### **Key Portfolio Issues**

27. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.
28. It is good practice to recognise that any forecast is based on assumptions about key variables and to undertake an assessment of the risk surrounding these assumptions. Having done this a forecast range has been produced for each corporate and key issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendices 2 to 9.

29. There are, however, certain corporate issues which are highlighted in the tables below as being the most significant for Cabinet to note. The adverse variances are noted in the first table, with any significant favourable variances detailed in the second table:

### **Corporate Adverse Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Adverse Forecast £000's</b>	<b>See Appendix &amp; Reference</b>
Change & Communities	Youth Offending	245.7	2 / COMM 1
Children's Services	Tier 4 Safeguarding	2,613.1	3 / CS 1
Children's Services	Safeguarding Mgt & Legal	268.6	3 / CS 2
Children's Services	Child Protection Tier 3 Social Work	919.8	3 / CS 3
Children's Services	Disability Services	226.5	3 / CS 4
Environment & Transport	Off Street Car Parking	622.0	5 / E&T 1
Health & Adult Social Care	Learning Disability	1,424.3	6 / H&ASC 1
Health & Adult Social Care	Adult Disability Care	1,093.1	6 / H&ASC 2

### **Corporate Favourable Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Favourable Forecast £000's</b>	<b>See Appendix &amp; Reference</b>
Resources	Contract Management	300.6	9 / RES 1
Resources	Property Portfolio Management	445.0	9 / RES 2

### **General Fund Balances**

30. It is important for Cabinet to consider the position on balances. The table below shows the latest predicted position after taking into account the outturn for 2012/13, the published budget approved by Council on 13 February, the September update of the capital programme and the forecast position for 2013/14 as outlined in this monitoring report.

	2013/14	2014/15	2015/16	Future Years
	£000's	£000's	£000's	£000's
<b>Opening Balance</b>	<b>29,923.5</b>	<b>16,122.0</b>	<b>16,037.5</b>	<b>14,645.4</b>
Draw to Support Capital	(501.0)	0.0	0.0	0.0
(Draw to Support) / Contribution from Revenue	2,089.5	4,384.4	2,782.0	1,687.4
Contributions (to) / from Other Reserves	(1,400.0)	0.0	0.0	0.0
Draw for Strategic Schemes	(13,990.0)	(4,468.9)	(4,174.1)	(4,627.2)
<b>Closing Balance</b>	<b>16,122.0</b>	<b>16,037.5</b>	<b>14,645.4</b>	<b>11,705.6</b>

31. The current level of balances as reported to Council in July 2013 is £10.5M. If the outturn position is as set out in this report, (a forecast under spend of £1.2M), then an additional £1.2M will be available to add to balances at the end of the year. This would increase the useable level of reserves from £10.5M to £11.7M.
32. The minimum level of balances is currently set at £5.5M and consequently, £6.2M is currently forecast to be available within balances and this could be used to fund future initiatives or contribute to the revenue budget in future years.
33. In view of the financial challenge facing the Authority however, the Council must not lose sight of the need to ensure that work is ongoing to develop sustainable savings proposals for future years and must be mindful of the need to carefully consider the extent to which one off funding is utilised in order to deliver a balanced budget in any one year.

#### **Implementation of Savings Proposals**

34. Savings proposals of £16.5M were approved by Council in February 2013 as part of the overall budget package for 2013/14. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the first quarter to highlight the level of risk associated with delivery and Appendix 10 contains further details:

	%
Implemented and Saving Achieved	79.6
Not Yet Fully Implemented and Achieved But Broadly on Track	16.5
Saving Not on Track to be Achieved	3.9
	<b>100.0</b>



35. Where savings are not on track to be achieved and a high level of risk is associated with delivery then this is due to non implementation in some cases but also due to the impact of factors such as rising demand for services which have meant that despite being implemented the estimated level of financial savings have not materialised.
36. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £591,000 or 4% of the total to be delivered. The breakdown of the financial consequences is shown by Portfolio in Appendix 10.
37. In addition to the portfolio details shown in Appendix 10 a corporate saving of £105,000 was also approved from the deletion of a Director's post which has been achieved.
38. The financial implications of the delivery of these proposals are reflected in the current forecast position, areas of ongoing concern have been fully reviewed, and appropriate action plans put into place. In addition, any implications for the budget for 2014/15 and future years will be addressed as part of the development of the budget.

#### **Financial Health Indicators**

39. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 11 outlines the performance to date, and in some cases the forecast, against a range of financial indicators that will help to highlight any potential areas of concern where further action may be required.

#### **Quarterly Treasury Management Report**

40. The Council approved a number of indicators at its meeting of the 13 February 2013 and Appendix 12 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.

#### **Housing Revenue Account**

41. The expenditure budget for the HRA was set at £71.25M and the income budget at £71.25M, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £384,500 compared to this budget.
42. There are no corporate variances to report but the detail is set out in Appendix 13.

### **RESOURCE IMPLICATIONS**

#### **Capital/**

43. There are no capital implications.

#### **Revenue**

44. The revenue implications are contained in the report.

#### **Property/Other**

45. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

46. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

### **Other Legal Implications:**

47. None.

## **POLICY FRAMEWORK IMPLICATIONS**

48. None.

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Summary
2.	Change & Communities Portfolios
3.	Children’s Services Portfolio
4.	Economic Development & Leisure Portfolio
5.	Environment & Transport Portfolio
6.	Health & Adult Social Care Portfolio
7.	Housing & Sustainability Portfolio
8.	Leader’s Portfolio
9.	Resources Portfolio
10.	Implementation of Savings Proposals
11.	Financial Health Indicators
12.	Quarterly Treasury Management Report
13.	Housing Revenue Account

**Documents In Members’ Rooms**

1.	None
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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**Other Background Documents**

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	General Fund Revenue Budget Report 2013/14 to 2015/16 (Approved by Council on 13 February 2013)	
2	General Fund Revenue Outturn 2012/13 (Approved by Council on 17 July 2013)	