

DECISION-MAKER:	CABINET		
SUBJECT:	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2014		
DATE OF DECISION:	19 AUGUST 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the three months to the end of June 2014, 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 2014/15 as at Month 3 (June), which is a forecast over spend at year end of £0.7M against the budget approved by Council on 12 February 2014, as outlined in paragraph 4.
- ii) Note that the baseline forecast over spend for portfolios is just under £4.4M.
- 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 the Risk Fund includes £3.1M to cover service related risks, (following the allocation of £1.3M to portfolios), and that the estimated draw at Month 3 is £2.1M to cover expenditure which is included within the baseline forecast portfolio over spend of £4.4M. The portfolio position after the draw from the Risk Fund is an over spend of £2.3M.
- v) Note that it has been assumed that the contingency, which stands at £250,000, will be fully utilised by the end of 2014/15.
- vi) Note the performance to date with regard to the delivery of the agreed

savings proposals approved for 2014/15 as detailed in Appendix 9.

- vii) Note the performance against the financial health indicators detailed in Appendix 10.
- viii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 11.

Housing Revenue Account

It is recommended that Cabinet:

- ix) Note the current HRA budget monitoring position for 2014/15, as at Month 3 (June). There is a forecast over spend at year end of **£86,500** against the budget approved by Council on 12 February 2014, as outlined in paragraph 31.

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 over spend of **£0.7M**, as shown below:

	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Baseline Portfolio Total	4,398.5 A	2.4
Draw From Risk Fund	2,141.5 F	
Portfolio Total	2,257.0 A	1.1
Capital Asset Management	600.0 F	
Non-specific Government Grants	984.5 F	
Net Total General Fund	672.5 A	0.8

- 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 £2,257,000 and this is analysed below:

Portfolio	Baseline Forecast Outturn Variance £000's	Risk Fund Items £000's	Forecast Outturn Variance		See Appendix
			£000's	%	
Communities	1,662.4 A	780.0 F	882.4 A	2.3	2
Children's Services	188.5 A	215.5 F	27.0 F	1.4	3
Environment & Transport	696.1 A	90.0 F	606.1 A	2.3	4
Health & Adult Services	2,122.0 A	645.0 F	1,477.0 A	2.3	5
Housing & Sustainability	206.7 A	216.1 F	9.4 F	0.5	6
Leader's	106.4 F	0.0	106.4 F	2.2	7
Resources & Leisure	370.8 F	194.9 F	565.7 F	1.2	8
Portfolio Total	4,398.5 A	2,141.5 F	2,257.0 A	1.1	

6. The corporate and key issues affecting each portfolio are set out in Appendices 2 to 8, 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 8 where applicable and the financial impact is reflected in the forecast position. Please note that at this time last financial year a Portfolio adverse variance of a similar magnitude was predicted, but following remedial actions taken by officers and other factors the actual Portfolio outturn position was a significant favourable variance. Whilst there is clearly no guarantee that this year will see the same outcome, the Council's management team will put in place remedial action and will be working to ensure that the financial position is brought within budget by year end.

Capital Asset Management

8. The favourable variance of £0.6M 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.
9. The cost of financing the authority's long term and short term debt in 2014/15 is currently forecast to be £800,000 less than budgeted, of which approximately 50% benefits the General Fund. This is mainly a result of variable interest rates being lower than estimated, no new long term borrowing being undertaken in 2013/14 and to deferring any new borrowing to later in this financial year than initially planned.
10. Investment income for the year is currently forecast to be £200,000 higher than originally estimated.

Non-Specific Government Grants

11. Additional non-specific Government grant income not included in the budget is anticipated resulting in a forecast favourable variance of £984,500 as follows:
12. The amount of Education Services Grant that the Council receives is based on the number of pupils in maintained schools in the city. This number is continually updated as schools convert to academies. Based on known academy conversions this financial year, the amount forecast to be received in 2014/15 is expected to be £800,000 more than budget.
13. An increase of £87,000 to the Local Service Support Grant (LSSG) from the Department for Communities and Local Government to cover the Extended Rights to Free Travel Grant from the Department for Education.
14. Remands allocation of £97,500 has been received from the Ministry of Justice.

Risk Fund

15. Potential pressures that may arise during 2014/15 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A sum of £4.4M was 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.
16. The Risk Fund, which originally stood at £4.4M, now totals £3.1M following the allocation of £1.3M. The funding allocated is shown below:

Portfolio	Service Activity	£000's
Health & Adult Social Care	Learning Development	800.0
Health & Adult Social Care	Independent Living	400.0
Resources & Leisure	Active Nation Utilities	83.0
Funding Allocated From the Risk Fund		1,283.0

17. At Month 3, it is estimated that pressures within Portfolios will require the allocation of a further £2.1M from the Risk Fund, as shown in the table below, leaving a balance of £1.0M:

Portfolio	Service Activity	£000's
Children's Services	Tier 4 Services	430.0
Children's Services	Safeguarding Management/Legal	200.0
Children's Services	Infrastructure	150.0
Communities	Youth Remand	215.5
Environment & Transport	Waste Disposal	90.0

Health & Adult Social Care	Adult Disabilities	400.0
Health & Adult Social Care	Continuing Care	245.0
Housing & Sustainability	CRC Purchases	216.1
Resources & Leisure	Museum Income	149.3
Resources & Leisure	Sport & Rec Energy	45.6
Portfolio Draw From Risk Fund		2,141.5

18. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2014/15 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of the development of the budget for 2015/16 to ensure that a sufficient allocation is included for such pressures in the future.

Contingency

19. The contingency totals £250,000 and it has been assumed that it will be fully utilised by the end of 2014/15. (Two uses of the contingency that have been agreed after the quarter end date are a £25,000 payment to Solent Credit Union to purchase deferred shares, and an £8,000 payment to Music in the City.)

Approved Carry Forward Requests

20. 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

21. Portfolios have not highlighted any potential carry forwards for submission which is as to be expected at this early stage of the year.

Key Portfolio Issues

22. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 8.
23. 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 8.
24. 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 table below. There are no significant favourable variances at this stage.

Corporate Adverse Variances

Portfolio	Corporate Issue	Adverse Forecast £000's	After Risk Fund Draw £000's	See Appendix & Reference
Children's Services	Tier 4 Safeguarding	1,149.1	719.1	2 / CS1
Children's Services	Safeguarding Mgt/Legal	123.4	0.0	2 / CS2
Children's Services	Disability Services	108.8	108.8	2 / CS3
Children's Services	Operations and Services	218.0	218.0	2 / CS4
Communities	Prevention and Inclusion	215.5	0.0	3 / COMM1
Environment & Transport	Waste Disposal	528.2	438.2	4 / E&T1
Health & Adult Social Care	Long Term Care	2,037.1	1,392.1	5 / H&ASC1
Resources & Leisure	Gallery and Museums	101.7	0.0	8 / RES1

Implementation of Savings Proposals

25. Savings proposals of £14.5M were approved by Council in February 2014 as part of the overall budget package for 2014/15. 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 9 contains further details:

	%
Implemented and Saving Achieved	73.5
Not Yet Fully Implemented and Achieved But Broadly on Track	16.0
Saving Not on Track to be Achieved	10.5

26. 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.

27. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £1,269,000 or 8.8% of the total to be delivered which is shown by Portfolio in Appendix 9.
28. 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 2015/16 and future years will be addressed as part of the development of the budget.

Financial Health Indicators

29. 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 10 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

Quarterly Treasury Management Report

30. The Council approved a number of indicators at its meeting of 12 February 2014 and Appendix 11 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

31. The expenditure budget for the HRA was set at £75.1M and the income budget at £75.1M, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £86,500 compared to this budget.
32. There are no corporate variances to report but the detail is set out in Appendix 12.

RESOURCE IMPLICATIONS

Capital/Revenue

33. The revenue implications are contained in the report. There are no capital implications.

Property/Other

34. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

36. None.

POLICY FRAMEWORK IMPLICATIONS

37. None.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

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

Documents In Members' Rooms

1.	
2.	

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)
1. General Fund Revenue Budget Report 2014/15 to 2016/17 (Approved by Council on 12 February 2014)	