APPENDIX 1 - GENERAL FUND 2014/15 OVERALL SUMMARY

DECEMBER 2014	Working Budget £000	Forecast Outturn £000	Forecast Variance £000
Portfolios (Net Controllable Spend)			
Children's Services	39,790	43,695	3,905 A
Communities	2,458	2,560	102 A
Environment & Transport	26,239	26,223	16 F
Health & Adult Social Care	63,861	66,851	2,990 A
Housing & Sustainability	1,735	1,958	223 A
Leader's Portfolio	4,733	4,392	340 F
Resources & Leisure	48,784	46, 940	1,844 F
Baseline for Portfolios	**187,600**	**192,620**	**5,020A**
Net Draw From Risk Fund	1,758	0	1,758 F
Sub-total (Net Controllable Spend) for Portfolios	**189,357**	**192,620**	**3,262 A**
Non-Controllable Portfolio Costs	21,989	21,989	0
Portfolio Total	**211,347**	**214,609**	**3,262 A**
Levies & Contributions			
Southern Seas Fisheries Levy	31	31	0
Flood Defence Levy	40	40	0
Coroners Service	560	560	0
	631	**631**	**0**
Capital Asset Management			
Capital Financing Charges	11,988	10,388	1,600 F
Capital Asset Management Account	(24,513)	(24,513)	0
	(12,525)	**(14,125)**	**1,600 F**
Other Expenditure & Income			
Direct Revenue Financing of Capital	100	100	0
Net Housing Benefit Payments	(758)	(758)	0
Contribution to Transformation Fund	3,000	3,000	0
Non-Specific Government Grants	(70,721)	(71,718)	998 F
Business Rates	(40,456)	(40,456)	0
Collection Fund Deficit	(1,782)	(1,782)	0
Open Space and HRA	436	436	0
Risk Fund	1,359	0	1,359 F
Contingencies	242	242	0
	(108,580)	**(110,937)**	**2,357 F**
NET GF SPENDING	**90,873**	**90,178**	**695 F**
Draw from Balances:			
To fund the Capital Programme	(100)	(100)	0
Waste Bid	135	135	0
Marlands IT	(60)	(60)	0
SALT Funding	(57)	(57)	0
Health & Social Care Transfer Funding	(4,587)	(4,587)	0
IER Funding	(22)	(22)	0
Carry Forwards	(5,067)	(5,067)	0
Draw from Strategic Reserve (Pensions & Redundancies)	(679)	(679)	0
Draw from Balances (General)	(6,970)	(6,275)	695 F
	(17,406)	**(16,711)**	**695F**
COUNCIL TAX REQUIREMENT	**73,467**	**73,467**	**0**

APPENDIX 2

CHILDREN'S SERVICES PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to overspend by **£3,110k** at year-end, which represents a percentage overspend against budget of **7.8%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Childrens Services Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	3,905 A	9.8
Risk Fund Items	795 F	
Portfolio Forecast	**3,110 A**	**7.8**
Potential Carry Forward Requests	0	

The SIGNIFICANT issues for the Portfolio are:

CS1 – Looked After Children and Resources (forecast adverse variance £2,906k)

This budget funds the cost of children that have to be taken into care. The number of children in care has increased during the year. In particular, there has been an increase in the number of fostering and residential placements with external providers, and a reduction in fostering placements with Southampton City Council (SCC) foster carers from budgeted levels.

Forecast Range £3,500k adverse to £2,500k adverse

The increasing number of children requiring specialist support packages has led to a forecast overspend of £466k on residential placements. These placements can cost up to £785 per day, and, therefore, a small increase in the number of children requiring such intensive support can have a significant impact on the financial position. Placements are only used as a last resort measure and consequently are difficult to predict with any certainty.

The forecast overspend of £2,326k on fostering has arisen as a result of using more placements from Independent Fostering Agencies (IFA's), and less from SCC foster carers than originally anticipated. IFA placements tend to cost between 2 and 3 times as much as an SCC foster placement. The need to use additional IFA placements is as a result of a need to ensure SCC foster carers meet regulations and the complex needs of individual children.

An increase in the number and average cost of staying put placements for young people over 18 has contributed to an overspend of £426k on permanent care and care leaving services. This overspend is after the Staying Put Implementation Grant income has been applied.

There are several new and existing placements across Tier 4 - Looked After Children that will attract additional funding from Education or Health. However, based on observed trends a favourable adjustment of £300k has been included at this stage.

The following table outlines the changes in activity levels for 2014/15:

Table 2 Budgeted, Forecast and Actual Activity levels to month 9

Service	Daily Rate Range	Children Numbers					
		Budget	Budget Plus Risk Fund Provision	Oct	Nov	Dec	Year End
Fostering up to 18	£22 -£90	321	321	301	300	300	276
Independent Fostering Agencies (IFA)	£85 - £275	88	98	141	148	152	144
IFA Parent and Baby Placements	£176 - £324	3	3	8	6	9	8
Inter Agency Fostering Placements	£58 - £126	3	3	1	1	1	1
Supported Placements or Rent	£9 - £54	1	1	5	7	6	6
Residential - Independent Sector	£257 - £785	9	9	13	10	9	12
Civil Secure Accommodation	£720 - £820	1	1	0	0	0	0
Sub-total: Children in Care		**426**	**436**	**469**	**472**	**477**	**447**
Residential (Not Looked After)	£108 - £333	3	3	4	3	3	3
Supported Placements or Rent (Not Looked After)	£9 - £54	5	5	1	1	1	1
Over 18's	£11 - £236	21	21	32	35	35	35
Adoption Allowances	£3 - £38	102	102	86	87	87	103
Special Guardianship Allowances	£2 - £44	115	115	100	99	100	105
Residence Order Allowances	£7 - £22	13	13	16	15	15	16
Total		**685**	**695**	**708**	**712**	**718**	**710**

Figures for CIC exclude disability placements, UASC's and children placed at nil cost (e.g., with parents)

A draw of £430k is forecast to be made from the Risk Fund reducing the overspend on Looked After Children and Resources to £2,476k.

<u>CS2 – Education and Early Years (forecast adverse variance £338k)</u>

The additional cost of places for children with special educational needs and with disabilities has led to a forecast overspend in this area. The overspend is being partially offset by additional surplus income from the introduction of Universal Infant Free School Meals from September

Forecast Range £600k adverse to £200k adverse.

The Government will introduce Universal Infant Free School Meals from 1st September 2014. Schools will receive additional funding to meet the cost of providing these meals. The Catering Service forecast has been updated to reflect anticipated increases of surplus income of £100k resulting from the provision of these additional meals.

Home to school transport for children attending Special schools is currently forecast to overspend by £165k. This will be reviewed once contracts are set for the new academic year in September 2014. An allocation of £200k has been included within the Council's Risk Fund for this purpose. It should also be noted that there is likely to be an additional pressure resulting from an agreed increase in places from September 2014 at Great Oaks and Springwell Special Schools. This has resulted in a further forecast overspend of £56k.

The requirement for packages of care for children with disabilities is difficult to predict with any certainty due to the volatility in the cost of care and the individual needs of each child with a disability. In particular, new residential placements that commenced after the budget had been set has contributed towards an adverse variance of £141k on care packages for children with disabilities.

A forecast overspend is anticipated in respect of the residual costs of Youth Services of £70k. This service was put forward as a saving due to commence 1st April, however staff were in post after 1st April. In addition, premises costs for this area were higher than anticipated.

Provision for High Needs and Early Years has been reviewed. This has resulted in a net forecast underspend of £1,259k on Early Years. As these services are funded by Dedicated Schools Grant this has been offset by an assumed carry forward of grant into 2015/16. A forecast overspend of £663k in High Needs has been offset against the DSG carry forward from 2013/14. This overspend is due to the additional cost of educational placements for children and young people with a special educational need

CS3 – Divisional Management & Legal (forecast adverse variance £457.9k)

The overspend on this budget is due to the cost of interim and agency workers currently required to support the Safeguarding and Management functions.

Forecast Range £750k Adverse to £250,000

This adverse variance is due to additional costs of agency and interim workers that are currently being required to support the Safeguarding and Management functions. These include costs for posts covered by temporary placements during the Children Services restructure, and posts identified to address the Ofsted action plan.

The overspend is being partially offset by a forecast underspend on Legal Services of £65k that has arisen from a reduction in court fees. A draw of £200k is forecast to be made from the Risk Fund reducing the overspend on Divisional Management and Legal Services down to £258k.

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OTHER KEY issues for the Portfolio.

There are no other key issues for the Portfolio.

Table 3 Summary of Risk Fund Items

Service Activity	**£000**
Looked after Children & Resources	430.0
Divisional Management and Legal Services	200.0
Infrastructure – Transport	165.0
Risk Fund Items	**795.0**

APPENDIX 3

COMMUNITIES PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to break even at year-end. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Communities Portfolio Forecast Outturn Position

	£000	%
Baseline Portfolio Forecast	102 A	4.1
Risk Fund Items	102 F	
Portfolio Forecast	**0**	**0.0**
Potential Carry Forward Requests	0	

The SIGNIFICANT issue for the Portfolio is:

COMM 1 – Prevention & Inclusion Service (forecast adverse variance £165k)

Responsibility for young offenders in remand

Forecast Range £350k adverse to £150k adverse

Due to the volatile nature of the need for remand and the range of costs at specific facilities (ranging from £158 to £555 per night), provision for this has been made in the Risk Fund, for which a sum of £102k is utilised allowing the balance to be absorbed by underspends elsewhere in the portfolio.

There are no OTHER KEY issues for the Portfolio at this stage.

Table 2 Summary of Risk Fund Items

Service Activity	£000
Youth Remand	101.5
Risk Fund Items	**101.5**

APPENDIX 4

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to underspend by **£16k** at year-end, which represents a percentage underspend against budget of **0.1%**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Environment &Transport Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	16 F	0.1
Remedial Portfolio Action	0	
Risk Fund Items	0	
Portfolio Forecast	**16 F**	**0.1**
Potential Carry Forward Requests	0	

The SIGNIFICANT issue for the Portfolio is:

E&T 1 – Waste Disposal (forecast adverse variance £747k)

There are various forecast changes with an adverse overall variance.

Forecast Range £800k adverse to £700k adverse

The Waste Disposal Contract has increased rates from January 2014, which are anticipated to increase overall costs by £90k in this financial year. A provision of £90k for this has been made in the Risk Fund but underspends elsewhere in the portfolio mean it is not required at this point.

In addition, there are forecast additional disposal costs of £223k for the Civic Amenity Waste Centres and £285k for general collected household waste, due to increased volumes of waste collected. Both of these variances are in line with neighbouring authorities within the County.

There is a forecast shortfall of £80k in recycling income and the savings proposal to charge for school waste disposal cannot be implemented, due to legislative reasons, at a cost of £100k.

The OTHER KEY issues for the Portfolio are:

E&T 2 – Domestic Waste Collection (forecast adverse variance £347k)

There is a forecast adverse variance on employee costs.

Forecast Range £400k adverse to £300k adverse

The Domestic Waste Collection service is forecasting a £329k adverse variance, due to the additional agency staff required to cover front line staff absences mainly due to sickness, being above the budgeted base level. The Service is working to implement actions to reduce the level of absences requiring temporary agency cover arrangements.

E&T 3 – Off Street Car Parking (forecast favourable variance £468k)

Parking income is favourable and rates expenditure is lower than originally estimated.

Forecast Range £400k favourable to £500k favourable

There is a favourable forecast variance for off street car parking, due to forecast higher parking income of £400k and business rates expenditure being lower than originally anticipated by £53k. The favourable income variance could, in part, be attributed to the introduction of evening charges. Thus, there is not forecast to be a draw on the Risk Fund in respect of a previously anticipated shortfall in Off Street Car Parking income across the whole of the city.

E&T 4 – Regulatory Services - Commercial (forecast favourable variance £199k)

There is a forecast of additional income and employee savings

Forecast Range £150k favourable to £250k favourable

In Port Health there are forecast additional Border Inspection Post (BIP) Fees of £91k and other specialist income relating to imports from China/ Japan of £81k. There are additional external contributions received to fund Trading Standards work of £11k and other net savings across the service of £16k.

E&T 5 – Travel & Transportation (forecast favourable variance £332k)

There are forecast savings on the Concessionary Fares scheme and on maintenance and employee budgets.

Forecast Range £300k favourable to £400k favourable

The total forecast number of Concessionary Fare journeys and the forecast average fare are being monitored closely throughout the year. At month 9, based upon the current passenger journeys and the calculated average fare, it appears appropriate to forecast a favourable variance on the scheme of £225k. There is a Real Time Information maintenance contract saving of £45k as the cost of the contract is being grant funded through the Local Sustainable Transport Fund. There are also net staff savings of £84k, due to vacant posts and an approved saving being made earlier than budgeted.

APPENDIX 5

HEALTH & ADULT SOCIAL CARE PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to overspend by **£2,345k** at year-end, which represents a percentage over spend against budget of **3.7%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Health & Adult Social Care Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	2,990.0 A	4.7
Risk Fund Items	645.0 F	
Portfolio Forecast	**2,345.0 A**	**3.7**
Potential Carry Forward Requests	0.0	

The SIGNIFICANT issues for the Portfolio are:

H&ASC 1 – Long Term (forecast adverse variance £3,361k)

The volume of care provision that caused an overspend in 2013/14 for this service activity has continued into 2014/15. In addition there will be slippage in the achievement of savings agreed in February 2014 for reductions in volume of care. To mitigate this pressure a recovery plan has been drafted to achieve these savings for 2015/16 and to identify compensating savings from within the portfolio for 2014/15.

Forecast Range £4,000k adverse to £2,500k adverse

For Older Persons and Physical Disabilities there are projected overspends of:

- £2,874k on Domiciliary,
- £543k on Nursing
- £278k on Residential.

These are partially offset by an underspend on Direct Payments and Day Care of £4k.

For Learning Disability services there are projected overspends of:

- £906k within the Residential and Nursing
- £83k on Domiciliary and
- £54k within Direct Payment.

This is partially offset by a reduction in Transition clients of £357k and Day Care £10k.

A non-recurring contingency of £1,100k to fund additional costs expected from S117 mental health clients transferring to the City Council from the Clinical Commissioning Group (CCG) is no longer required. These clients have transferred and the costs have been managed within the ongoing budget envelope. This sum has been identified within the recovery plan as available to offset the overspend in 2014/15.

The volume of activity included in the forecast outturn position is comparable to the actual levels for 2013/14, which has led to the underlying pressure from 2013/14 being carried over into 2014/15. The sum of £645k is held within the Risk Fund to offset this underlying pressure, it is assumed that this will be utilised in full.

In addition a number of savings initiatives were agreed for 2014/15 to reduce the volume of care provided, subsequently the budget was reduced. However, to date it is been difficult to ascertain sufficient evidence that these initiatives will deliver the required savings causing the adverse forecast position.

It should be noted that the Reablement Service is currently achieving a rate of 67% of clients leaving care with no further long term care requirements. Should this level be maintained it is anticipated that the underlying pressure will further reduce as the year progresses.

Whilst a voluntary suspension has now been removed from a block provider of nursing care there is still a delay placing clients. As a result of the suspension there are plans to seek recompense for 23 vacant beds for a period of 10 weeks which would equate to £151k and has been included in the forecast position.

There are several posts within the Long Term and Review teams that are being covered by locums either due to vacancy or maternity leave, this has led to a forecast overspend of £93k. In addition there is an issue regard the funding of staff by Health partners, it is currently forecast this will be an additional adverse variance but long term will need to be resolved or alternative funding sought.

The OTHER KEY issues for the Portfolio are:

<u>H&ASC 2 – Reablement (forecast adverse variance £283k)</u>

Increase in the use of locum's to cover maternity and sick leave within the Hospital Discharge team.

Forecast Range £350k adverse to £200k adverse.

This forecast overspend is due to the use of locum's covering vacant posts and posts that are subject to requiring maternity cover within the Hospital Discharge team. The cost of a locum is currently 30% greater than the cost of a Council social worker. Agency levels within Brownhill are forecast to be 20% of staffing budgets compared to a budgeted figure of 14%; this is due to an increase in the number of staff on long term sickness.

<u>H&ASC 3 – Adult Services Management (forecast favourable variance £513k)</u>

Savings resulting from vacant posts & removal of Community Care Contingency

Forecast Range £450k favourable to £600k favourable.

There are currently 23 FTE vacant posts within business support. As a result of the business support review these posts will not be filled this year, creating an overall saving of £326k. This is offset by a £257k pressure due to the recruitment of Locum Service Manager's to cover vacant posts until the end of the financial year and costs associated to compromise agreements made in year. Furthermore, included within the recovery plan are non-recurrent savings of £198k from the cessation of various one off projects.. In addition there was planned spend of £254k for the development of the service, this work has now been postponed to help offset the increased spend in long term care.

H&ASC 4 – Provider Services (forecast adverse variance £196k)

Increase in the use of locum staff to cover sickness, vacant posts and to support clients with more complex needs.

Forecast Range £250k adverse to £150k adverse.

Agency levels within the residential homes are forecast to be 24% of staffing budgets compared to a budgeted figure of 18%. This is due to an increase in the number of staff on long term sickness.

There is additional use of agency staff at Kentish Road due to an increase in clients with more complex needs and staff vacancies, there is also an increase in overtime costs due to the requirement to cover shifts while posts remain vacant.

H&ASC 6 – ICU Provider Relationships (forecast favourable variance £216k)

An agreement to reduce the number of nursing beds has resulted in an overall saving.

Forecast Range £150k favourable to £250k favourable.

An agreement to reduce the number of nursing beds currently purchased within a block contract has resulted in an overall saving of £120k. In addition £200k of recovery plan savings have been identified through renegotiation of contract price against the Supporting People block contract.

There has been an increase in demand for equipment from the Joint Equipment Store resulting in a forecast overspend of £243k. There are various minor contract and staffing savings which total £139k.

H&ASC 7 – ICU System Redesign (forecast favourable variance £207k)

Contract reviews and the tendering of the new Adults Carers Service has resulted in an overall saving.

Forecast Range £200k favourable to £250k favourable.

The tendering of a new Adults Carers service has resulted in an overall saving in year of £41k. In addition there are various small savings and in year slippage from contracts, which total £166k, including £100k for peer support.

H&ASC 8 – Safeguarding Adult Mental Health & Out Of Hours (forecast adverse variance £90k)

Increase in client packages.

Forecast Range £150k adverse to £50k adverse.

There has been an increase in the number of client packages. This has created a forecast overspend of £138k of which £69k is for short term packages. This adverse position is reduced by a forecast net saving of £85k due to vacant posts within the Mental Health and Substance Misuse teams, after cover for vacant posts until the end of the financial year has been taken into account.

Table 2 Summary of Risk Fund items

Service Activity	**£000**
Adult Disability	400
Continuing Care	245
Risk Fund Items	**645**

APPENDIX 6

HOUSING & SUSTAINABILITY PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to overspend by **£7k** at year end, which represents a percentage variance against budget of **0.4%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Housing & Sustainability Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	223 A	12.8 A
Remedial Portfolio Action	0	
Risk Fund Items	216 F	
Portfolio Forecast	**7 A**	**0.4 A**
Potential Carry Forward Requests	0	

There are no SIGNIFICANT issues for the Portfolio at this stage.

The OTHER KEY issue for the Portfolio is:

HOUS1 – Sustainability (forecast adverse variance £226k)

Forecast Range £250k adverse to £200k adverse.

There is a variance due to the cost of purchasing Carbon Reduction Certificates.

It is estimated that the cost of purchasing Carbon Reduction Certificates (CRCs) for the authority in 2014/15 will be £216k. This is covered by a provision in the Risk Fund.
In addition, there are minor variances across Sustainability that produce a net adverse variance of £10k.

Table 2 Summary of Risk Fund Items

Service Activity	**£000**
Sustainability – CRC purchases	216.1
Risk Fund Items	**216.1**

APPENDIX 7

LEADER'S PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to underspend by **£340k** at year-end, which represents a percentage variance against budget of **7.2%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Leaders Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	340 F	7.2
Remedial Portfolio Action	0	
Risk Fund Items	0	
Portfolio Forecast	**340 F**	**7.2**
Potential Carry Forward Requests	0	

There are no SIGNIFICANT issues for the Portfolio at this stage.

The OTHER KEY issues for the Portfolio at this stage are:

LPOR 1 – Land Charges (forecast favourable variance £170k)

Additional income / reduced spend on Supplies & Services

Forecast Range not applicable

The value and volume of Land Charges income received is directly affected by conditions in the housing market and wider economy and is difficult to predict. A £120k favourable variance is forecast based on a considered projection of income received to date and will continue to be reviewed for the remainder of the year. In addition an in-year non-recurrent underspend on supplies & services budgets is forecast of £50k.

LPOR 2 – Democratic Representation and Management / Licensing (forecast favourable variance £156k

Underspends on Salaries / Supplies and Services / Cameras

Forecast Range not applicable

A favourable variance of £106k has arisen primarily due to:

- Staff vacancies, for which recruitment is ongoing,

- An in-year non-recurrent underspend on supplies and services,
- Reduced spend on members allowances following a reduction in the number of Cabinet members, an on-going saving for which was approved by Council in July.

In addition a non-recurrent underspend of £50k has arisen within Licensing due to reduced spend on taxi cameras following the decision by Licensing Committee on 8th April 2014 to suspend the subsidy for the installation of cameras with effect from 1st June 2014.

APPENDIX 8

RESOURCES & LEISURE PORTFOLIO

KEY ISSUES – MONTH 9

The Portfolio is currently forecast to underspend by **£1,928k** at year-end, which represents a percentage variance against budget of **4.0%**. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view and corporate items as shown below:

Table 1 Resources & Leisure Portfolio Forecast Outturn Position

	£000	**%**
Baseline Portfolio Forecast	1,928 F	4.0
Remedial Portfolio Action	0	
Risk Fund Items	0	
Portfolio Forecast	**1,928 F**	**4.0**
Potential Carry Forward Requests	84	

The SIGNIFICANT issues for the Portfolio at this stage are:

RES 1 – Gallery and Museums (forecast adverse variance £286k)

There is a shortfall in venue income due to lower visitor numbers than anticipated.

Forecast Range £400k adverse to £200k adverse

Visitor numbers to SeaCity and Tudor House were lower than anticipated for the first nine months of the year, based on this, the forecast for visitor numbers for the remainder of the year has been adjusted. This has resulted in a forecast shortfall in income of £57k for Tudor House and £359k for SeaCity. A provision of £121k for this has been made in the Risk Fund but underspends elsewhere in the Resources and Leisure Portfolio mean it is not required at this point.

The adverse variance in income is partially offset by a favourable variance on staffing across the two venues of £20k. This is due to vacant catering posts which are not expected to be filled during the current financial year. In addition, there are forecast savings of £37k on the cost of utilities at SeaCity and £71k on the Exhibitions expenditure budget.

RES 2 – Corporate Management (forecast favourable variance £62k)

Income from Strike Deductions / External Audit rebate

Forecast Range not applicable

The favourable forecast variance reflects the £40k strike deductions received to date. These deductions have been captured centrally and may be required to offset any costs incurred by those Council services affected by strike action. In addition a one-off rebate of £22k has been received from the external auditors relating to prior years accounts.

<u>RES 3 – Central Repairs & Maintenance (forecast favourable variance £540k)</u>

One-off reduction in Planned Programme

Forecast Range not applicable

An in-year saving can be achieved based on an agreed list of schemes now deferred to 2015/16. Risks have been considered and there may be a potential impact on reactive maintenance budgets if works become essential prior to the commencement of the 2015/16 programme.

The OTHER KEY issues for the Portfolio at this stage are:

<u>RES 4 – Property Portfolio Management (forecast favourable variance £595k)</u>

Additional Investment Property income offset by additional one-off costs

Forecast Range not applicable

A favourable income variance of £670k has arisen within the Investment Property account primarily as a result of delayed property disposals pending a review of the wider Property Strategy and future disposal / investment plans. This is offset by £170k one-off additional expenditure relating to the property management costs for current investment properties to address essential maintenance / potential health & safety issues.

In addition a £95k forecast underspend against the Property Portfolio Management budgets is anticipated pending the outcome of the Property Strategy and Service Property reviews. Current activity, the majority of which is undertaken by Capita Property, is less than originally anticipated but is expected to accelerate once the impact of a revised disposal strategy is known (see note above re Investment Property income).

<u>RES 5 – Leisure Client Team (forecast adverse variance £46k)</u>

Contractual utility inflation is due on the Active Nation contract.

Forecast Range £60k adverse to £40k adverse

Under the contract with Active Nation to run the Council's sports provision, the Council bears the risk of cost inflation on utilities over and above the Consumer Price Index. This is currently estimated to be £46k and provision has been made in the Risk Fund but underspends elsewhere in the Resources and Leisure Portfolio mean it is not required at this point.

<u>RES 6 – Major Projects (forecast favourable variance £65k)</u>

An underspend on funding for the new arts complex is partially offset by additional business rates for Oaklands Pool

Forecast Range £50k adverse to £100k favourable

Southampton New Arts Centre - Council funding of £160k, along with Arts Council England (ACE) funding of £153k, was originally budgeted to transfer to the operating company of the new arts complex this financial year.

The project has been delayed substantially and subsequently the process for appointing an operating company has taken longer than anticipated. This has led to a predicted underspend of £165k, of which there is a Council saving in the current year of £84k.

There remain considerable challenges for the revenue budget of the arts complex and it is proposed that funding should be carried forward into 2015/16 for the purpose of establishing a sound basis for its business operation, programme and marketing ensuring the best possible preparation for future financial viability. If this funding is not carried forward, it is highly likely that ACE will reduce its grant funding in line with the Council's.

Oaklands Pool community transfer - There is an adverse variance of £54k, due to set-up costs and business rates totalling £26k until November when the building was handed to the community group.

This expenditure was not previously anticipated as the building had been unoccupied. However, as refurbishment work had been carried out on the building over the past year, it is not eligible for S44a relief for business rates.

Major Projects team – There are additional forecast savings of £34k on operational costs.

RES 7 – Audit and Risk Management (forecast favourable variance £66k)

Underspend on Insurance Premiums / Audit Fees

Forecast Range not applicable

An in-year underspend of £55k against the insurance premiums budget is forecast. The premiums contract is currently out to tender, the outcome of which will determine whether or not an ongoing saving can be achieved from 2015/16. In addition an in-year underspend of £11k is forecast against the Hampshire County Council Audit Partnership based on SCC's share of the Partnership costs for the current financial year.

RES 8 - Property Services (forecast favourable variance £843k)

Underspend on utilities & maintenance / OGS / sinking funds

Forecast Range not applicable

A detailed review of all budgets has been undertaken and a forecast saving of £400k is now anticipated across the utilities and health & safety / maintenance budgets. This is mainly due to the Civic being only part occupied whilst the refurbishment works have taken place under the Accommodation Strategy Actions Plan programme and over the last 3 years the underspends against these budgets have been consistently declared in-year as part of the financial monitoring reports. Full occupation has only recently been completed with the Civic being further utilised to accommodate the vacation of One Guildhall Square (OGS) and Castle Way, so budgets will now be reassessed to determine whether there are any ongoing savings that can be declared. Reduced spend on health & safety / maintenance budgets also reflects the requirements to undertake essential works only.

In addition there is a £100k in-year saving on costs relating to Council occupation of OGS following the vacation of the building in December, the ongoing impact of which will be included in the budget papers to be presented to Full Council in February 2015 for 2015/16 and ongoing.

A forecast underspend of £343k has also been agreed relating to the suspension of sinking fund contributions for OGS and the Civic for 2 years from 2014/15. The 2015/16 impact of this will also be included in the February budget papers.

RES 9 – Finance (forecast favourable variance £60k)

Salary under spends / reduced cash collection costs

Forecast Range not applicable

A detailed review of all budgets has been undertaken across the wider Division resulting in the identification of salary underspends from vacant posts, together with an anticipated non-recurrent underspend on cash collection costs resulting from the new cash in transit contract.

RES 10 – Contract Management (forecast favourable variance £76k)

In-year Contract Changes

Forecast Range not applicable

The favourable forecast variance reflects the in-year benefit of reduced Capita costs arising from changes to the contract. The impact of this has already been reflected in the budgets for 2015/16 and ongoing.

APPENDIX 9

IMPLEMENTATION OF SAVINGS PROPOSALS

	Total Savings 2014/15		Forecast Shortfall 2014/15		Implemented and Saving Achieved			Not Yet Fully Implemented and Achieved But Broadly on Track			Saving Not on Track to be Achieved		
	Budget	Forecast				Budget	Forecast		Budget	Forecast		Budget	Forecast
	£000	£000	£000	%	%	£000	£000	%	£000	£000	%	£000	£000
Portfolio Savings													
Children's Services	(140)	(140)	0	0.0%	100.0%	(140)	(140)	0.0%	0	0	0.0%	0	0
Communities	(166)	(166)	0	0.0%	100.0%	(166)	(166)	0.0%	0	0	0.0%	0	0
Environment & Transport	(1,978)	(1,868)	110	5.6%	79.3%	(1,568)	(1,568)	20.7%	(410)	(300)	0.0%	0	0
Health & Adult Social Care	(6,811)	(5,578)	1,233	18.1%	77.7%	(5,295)	(5,295)	0.0%	0	0	22.3%	(1,516)	(283)
Housing & Sustainability	(52)	(52)	0	0.0%	80.8%	(42)	(42)	19.2%	(10)	(10)	0.0%	0	0
Leader's Portfolio	(310)	(310)	0	0.0%	100.0%	(310)	(310)	0.0%	0	0	0.0%	0	0
Resources & Leisure	(2,574)	(2,516)	58	2.3%	97.7%	(2,516)	(2,516)	0.0%	0	0	2.3%	(58)	0
Sub-Total	**(12,031)**	**(10,630)**	**1,401**	**11.6%**	**83.4%**	**(10,037)**	**(10,037)**	**3.5%**	**(420)**	**(310)**	**13.1%**	**(1,574)**	**(283)**
Corporate Savings													
Capita "Relaunch Savings"	(1,500)	(1,500)	0	0.0%	100.0%	(1,500)	(1,500)	0.0%	0		0.0%	0	
People Transformation	(920)	(920)	0	0.0%	100.0%	(920)	(920)	0.0%	0		0.0%	0	
Total	**(14,451)**	**(13,050)**	**1,401**	**9.7%**	**86.2%**	**(12,457)**	**(12,457)**	**2.9%**	**(420)**	**(310)**	**10.9%**	**(1,574)**	**(283)**

APPENDIX 10

FINANCIAL HEALTH INDICATORS – MONTH 9

Prudential Indicators Relating to Borrowing

	Maximum	Forecast	Status
Maximum Level of External Debt	£750M	£371M	Green
As % of Authorised Limit	100%	49.5%	Green

	Target	Actual YTD	Status
Average % Rate New Borrowing	5.00%	0.0%	Green
Average % Rate Existing Long Term Borrowing	5.00%	3.20%	Green
Average Short Term Investment Rate	0.41%	0.55%	Green

Minimum Level of General Fund Balances

		Status
Minimum General Fund Balance	£5.5M	
Forecast Year End General Fund balance	£22.0M	Green

Income Collection

Outstanding Debt:	2013/14	Actual YTD	Status
More Than 12 Months Old	24%	21%	Amber
Less Than 12 Months But More Than 6 Months Old	6%	5%	Green
Less Than 6 Months But More Than 60 Days Old	10%	14%	Green
Less Than 60 Days Old	60%	59%	Green

Creditor Payments

		Status
Target Payment Days	30	
Actual Current Average Payment Days	21	Green
Target % of undisputed invoices paid within 30 days	95%	
Actual % of undisputed invoices paid within 30 days	94%	Amber
* including schools	93% *	Amber *

Tax Collection rate

	Target Collection Rate	Month 9 Collection Rate Last Year	Month 9 Collection Rate This Year	Status
Council Tax	94.90%	81.00%	80.74%	Amber
National Non Domestic Rates	98.70%	88.30%	83.50%	Amber

APPENDIX 11

QUARTERLY TREASURY MANAGEMENT REPORT – MONTH 9

1. Borrowing Requirement and Debt Management

As at the 31 December 2014, the council's overall outstanding long term borrowing was £256M, at an average rate of 3.20% and an average maturity of 23.6 years, this has fallen by £6M since 1 April due to maturing debt which has not yet been replaced. The total long term debt portfolio is made up of loans from the Public Works Loan Board (PWLB) of £246M and market loans of £9M.

Included within the PWLB portfolio is £35M of variable rate loans, which averaged 0.62% for the year (current rate 0.69%) and are helping to keep overall borrowing costs down. Whilst in the current climate of low interest rates this remains a sound strategy, the Council need to review these regularly and if appropriate switching into fixed rate loans.

The Council does not have any temporary borrowing at present having repaid outstanding balances at year end and whilst these have remained affordable and attractive, due to our higher than expected level of cash (and subsequent investments) no need has arisen.

As at the 31 March 2014 the Council used £73M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium to long term and the Council will need to borrow to cover this amount as balances fall. Based on the Capital Programme approved by Council in September 2014, the Council is expected to borrow up to £74M between 2014/15 and 2016/17. Of this £40M relates to new HRA capital spend (GF has no new requirement at this stage) and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances.

No new borrowing has been taken to date and none is expected to be taken until the third quarter of the year and will be assessed in conjunction with the development of the capital programme, cash balances and advice from the Council's treasury advisor.

Budgeted Expenditure

The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost in 2014/15 of financing the Authority's loan debt is currently expected to be £9.7M compared with an approved estimate of £11.2M, a saving of £1.9M, of which £0.9M relates to the GF. This is mainly due to variable interest rates being lower than those estimated, no new long term borrowing being taken in 2013/14, slippage on the HRA capital programme to 2015/16 and deferring any new borrowing to later in the year.

2. Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its TM Strategy Statement for 2014/15.

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings. The Council's minimum long-term counterparty rating is A- (or equivalent across rating agencies Fitch, S&P and Moody's); credit default swaps; financial statements, information on potential government support and reports in the quality financial press.

Internal investments

There has been an increase in cash balances since the beginning of the year (£66M), peaking at £125M in mid- May. Based on previous year's balances this was expected to fall around December when we have traditionally needed to borrow short term from the money markets due to uncertainty on the capital programme and the need to borrow long term, however balances were maintained between £71.4M and £97.8M so no need arose. Projected balances to the end March indicate that on present levels of spend we should have £20M more than this time last year, around £60M, so unless there is significant capital spend between now and then, there should be no need to borrow short term unless we feel this is prudent to protect our investments in the higher returning call accounts

The rolling programme of yearly investments has been stopped due to lower balances last year and the difficulty in placing at attractive rates, plus we are preparing for lower investment limits as part of the TM strategy in anticipation of "bail in".

Following advice from our advisors, Arlingclose, enquires on options for longer term deposits with covered bonds are ongoing with a view of investing up to the £30M limit for long term investments (currently £9M plus external investment) to optimise investment income. In addition the Authority has invested £9.2M (plus commitment to invest another £2M in January) in corporate bonds, which meet our investment criteria, as an alternative to fixed term deposits with banks as although the risk of insolvency remains, there is no risk of pre-emptive bail-in by the regulator and corporates are far less geared than banks. These deals will generate around £0.125M for 2014/15.

The Authority has internal investments amounting to £71.57M as detailed below:

Investments	At 31 December 2014 £M	Date of Maturity	Yield %	Rating
Money Market Funds	29.471	Call	Average 0.40	A+ to AA-
Santander UK Plc	8.000	Call	0.80	A
Bank of Scotland Plc	0.005	Call	0.40	A
Svenska Handelsbanken – A SHS	6.159	Call	0.35	AA-
HSBC Bank PLC	5.000	Call	0.80	AA-
HSBC Bank PLC	2.000	Call	0.65	AA-
Barclays Bank PLC	1.754	Call	0.50	A

European Investment Bank - Bond	1.000	15/04/2025	5.27	AAA
European Investment Bank - Bond	1.000	07/06/2025	5.16	AAA
European Investment Bank - Bond	1.000	07/06/2025	5.49	AAA
Yorkshire Building Society Covered Bond	3.333	12/08/2018	2.03	AA+
Leeds Building Society Covered Bond	3.005	01/10/2019	0.97	AAA
Volkswagen Financial Service	2.007	20/08/2015	1.00	A
Rabobank Nederland	2.062	10/09/2015	0.95	AA-
Westpac Banking Corp	2.393	23/12/2015	0.84	AA-
Prudential PLC	2.158	15/11/2015	0.98	A
Volkswagen Financial Service	1.127	20/08/2015	0.75	A

External Managed investments

On the 30 April 2014 the Council invested £5M in property funds which offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term. These funds are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. This investment has returned an average of £0.022M per month, which will generate £0.237M for the year, a yield of 4.75%. The net asset value of the fund at 31 December 2014 was £5.174M (£4.948 at 30 September) a notional “gain” of £0.174M against initial investment. Consideration is being given on whether to invest an additional £1M in the fund as the yield is attractive but this will increase our risk as the value of the fund can also go down.

Budgeted Income

The Council does not expect any losses from non-performance in relation to its investments by any of its counterparties. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise this financial year. As a consequence short-term money market rates have remained at relatively low levels with new fixed term deposits being made at an average rate of 0.55%, investments in Money Market Funds and call accounts generated an average rate of 0.49%. Investments in bonds have performed better returning an average of 1.72% in year. The average cash balances during the quarter was £86.3M; these are expected to decline towards the end of the financial year, to around £60M as the incidence of government grant income and council tax income is skewed towards the earlier part of the year.

The Authority’s budgeted investment income for the year was estimated at £0.3M, the Authority currently anticipates an investment outturn of £0.9M for the year based on current and committed deals. As reported previously the Authority continues to review investments in suitable longer term financial instruments which will generate a better return, as it is envisaged that there be sufficient cash balances over the medium term.

3. **Compliance with Prudential Indicators**

The Council can confirm that it has complied with its Prudential Indicators for 2014/15, approved by Full Council on 12 February 2014. The table below summarises the Key Prudential Indictors and performance to date:

Indicator	**Limit**	**Actual at 31 December 2014**
Authorised Limit for external debt £M	£760M	£338M
Operational Limit for external debt £M	£750M	£338M
Maximum external borrowing year to date		£274.2M
Limit of fixed interest debt %	100%	82.8%
Limit of variable interest debt %	50%	17.2%
Limit for Non-specified investments £M	£38M	£14M

APPENDIX 12

HOUSING REVENUE ACCOUNT

KEY ISSUES – MONTH 9

The Housing Revenue Account (HRA) is currently forecast to overspend by **£267k** on income and expenditure items at year-end, which represents a percentage variance against budget of **0.4%.**

The SIGNIFICANT issues for the HRA are:

HRA1 – Responsive Repairs (adverse variance £2,000k)

The volume of repairs has increased largely as a result of severe weather last winter.

Forecast range £2,500k adverse to £1,800k adverse

The volume of repairs has increased due to the exceptional and stormy weather conditions last winter and the decision to reduce the backlog of repairs that was carried forward from the last financial year. The aim was to reduce waiting times for tenants requiring repairs to their homes in the wake of last winter's storms. The weather related repairs will involve a significant amount of complex work, to the fabric of approximately 200 properties. It is anticipated this will reduce the draw on the capital programme for this stock in futures years. This work is currently estimated to cost £500k and will be funded from a reduction in Direct Revenue Financing (DRF) for the capital programme. In addition, a significant amount of weather related responsive repairs work is being carried out by transferring internal staff resources from the capital programme to work on responsive repairs. The cost of this work is estimated as £700k and will be funded from a reduction in DRF, as it is moving cost from the capital programme to revenue. The total cost incurred this year in repairing damage caused by last winter's storms is estimated at £1,200k.

In addition to the weather related expenditure detailed above, and in order to deal with the backlog of jobs, there will be additional costs for materials and contractors. The contractors' costs have increased largely as a result of the additional scaffolding that has been required. This additional expenditure will have to be funded from savings found elsewhere in the responsive repairs and wider HRA budget. Savings of £280k have been identified within the responsive repairs - estate improvement plan budget. In addition, the £916k saving in interest payments (HRA 3 below) will also contribute.

HRA2 – Direct Revenue Financing of Capital (DRF) (favourable variance £1,200k)

Reduction in DRF as a result of work transferred from capital to revenue.

Forecast range £1,000k favourable to £1,500k favourable

As a result of the increased volume of weather related work that is being funded as part of the responsive repairs revenue budget, DRF has been reduced to balance the HRA budget. The additional work, that is now being treated as revenue will result in improvements to the fabric of a number of the HRA properties which in turn will lead to reductions in demand on the capital programme in future years. Not all of this reduction will be seen in the current financial year so, in order to fund the capital programme, capital receipts bought forward from last financial year will be used to compensate for the reduction in DRF.

<u>HRA3 – Interest Payments (favourable variance £916k)</u>

Reduction in borrowing requirements.

Forecast range £850k favourable to £950k favourable

As a result of re-phasing in the capital programme, as detailed in the draft February capital update, the borrowing required to fund the capital programme has been reduced from £23,000k to £4,100k. The budget assumption was that the borrowing would take place on the 1 October 2014. As a result of recent analysis of the overall Council cash position, the date for borrowing to take place has been revised to the 1 March 2015. The combined effect of the changes to the borrowing assumptions has resulted in a reduction of £916k in interest payments.

The OTHER KEY issue for the HRA is:

<u>HRA4 – Housing Investment (forecast adverse variance £310k)</u>

There are a number of variances which produce a small (5%) overall adverse position.

Forecast range £350k adverse to £300k adverse

Water Quality Testing and Treatment (£196k adverse) – In order to maintain water quality within Council walk-up bocks to legal requirements, it has been necessary to implement a programme of water monitoring and testing across the city.

Mechanical Ventilation (£31k adverse) – there has been an unexpected demand for the repair / replacement of a number of ventilation fans in tower blocks across the city

TV Aerials (£38k adverse) – The Digital TV aerials installed in 2011/12 are now out of warranty, and are proving expensive to maintain and repair. A procurement process is under way for a new maintenance contract. In addition, there are costs for the removal of tenants' satellite dishes from some blocks.

Ventilation Duct Cleaning (£42k adverse) – A programme has been introduced to clean ducts in our tower blocks and this has also included a replacement programme of internal vents with fire-rated boxes.