

DECISION-MAKER:	CABINET		
SUBJECT:	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2019		
DATE OF DECISION:	19 NOVEMBER 2019		
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 Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of September 2019, and highlights any key issues which need to be brought to the attention of Cabinet.

RECOMMENDATIONS:

	<u>General Revenue Fund</u>
	It is recommended that Cabinet:
i)	Note the forecast outturn position is broadly break even (net underspend of £0.01M), as outlined in paragraph 4.
ii)	Note the performance of treasury management, and financial outlook in paragraphs 12 to 15 and appendix 1.
iii)	Note the Key Financial Risk Register as detailed in paragraph 18 and appendix 2.
iv)	Note the performance against the financial health indicators detailed in paragraphs 21 and 22 and appendix 3.
v)	Note the performance outlined in the Collection Fund Statement attached at appendix 5 and detailed in paragraphs 24 to 25.
	<u>Housing Revenue Account</u>
	It is recommended that Cabinet:
vi)	Note the forecast outturn position is an underspend of £1.77M as outlined in paragraph 23 and appendix 4.

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)

FINANCIAL POSITION

3. Table 1 below sets out the financial position of the General Fund after the rebasing exercise reported to Cabinet on 15 October 2019.

Portfolio	Budget Qtr 2 £M	Rebased Budget £M	Forecast Qtr 2 £M	Forecast Variance to Rebased Budget £M
Adult Care	63.79	66.66	66.55	0.11 F
Aspiration, Children & Lifelong Learning	40.65	48.03	48.45	0.42 A
Green City & Environment	0.81	0.86	0.85	0.01 F
Healthier & Safer City	(5.24)	(5.25)	(5.20)	0.05 A
Homes & Culture	7.28	7.51	7.51	0.01 F
Leader	5.79	3.38	3.37	0.01 F
Place & Transport	23.21	22.41	22.46	0.05 A
Resources	33.34	35.18	34.88	0.30 F
Total Portfolios	169.64	178.79	178.87	0.09 A
Levies & Contributions	0.63	0.63	0.63	0.00
Capital Asset Management	15.03	5.13	5.03	0.10 F
Other Expenditure & Income	4.26	5.02	5.02	0.00
Net Revenue Expenditure	189.57	189.57	189.56	0.01 F
Draw from Balances	0.00	0.00	0.00	0.00
Council Tax	(101.75)	(101.75)	(101.75)	0.00
Business Rates	(83.29)	(83.29)	(83.29)	0.00
Non-Specific Government Grants	(4.53)	(4.53)	(4.53)	0.00
Total Financing	(189.57)	(189.57)	(189.57)	0.00
(SURPLUS)/DEFICIT	0.00	0.00	(0.01)	0.01 F

NB Numbers are rounded

4. The current forecast spending against the council's net General Fund budget for the year is projected to be broadly break even overall (£0.01M underspend). Explanations of significant variances compared to the rebased budget are provided below.

Adult Care (£0.11M favourable variance)

5.	<p><u>ICU Provider Relationships (£0.11M favourable variance)</u></p> <p>The movement is due to further day care commissioning savings of £0.01M for a reduction in lease costs for the Brook Centre and £0.01M for direct payment support. This is increased by £0.06M for Southern Health investment costs which have been met by the Clinical Commissioning Group and £0.03M for further savings on the Hoarders project as staffing costs are less than planned.</p>
	<p><u>Aspiration, Children & Lifelong Learning (£0.42M adverse variance)</u></p>
6.	<p><u>Looked After Children Provision (£0.34M adverse variance)</u></p> <p>The adverse movement is due to a number of children moving from Independent Fostering Agency placements and other lower costing placements to higher costing residential placements.</p>
	<p><u>Resources (£0.30M favourable variance)</u></p>
7.	<p><u>Accounts Payable and Accounts Receivable (£0.31M favourable variance)</u></p> <p>There is a favourable variance due to vacancies within the Customer Payments and Debt team due to difficulties in recruiting staff, plus budgets carried forward from 2018/19 which are no longer required.</p>
8.	<p><u>Centrally Apportionable Overheads (£0.11M adverse variance)</u></p> <p>There is an adverse variance due to a number of schools transferring to academy status. The City Council are unable to recharge these academies as they no longer use the SCC Schools Finance service.</p>
9.	<p><u>Finance & Commercialisation (£0.10M adverse variance)</u></p> <p>There is an adverse variance due to credit card fees for Cash Office transactions of £0.05M due to the delay in closing the Cash Office, plus the Risk and Insurance saving target against the Insurance Premiums budget of £0.05M not being achieved.</p>
10.	<p><u>Local Taxation & Benefits Service (£0.19M favourable variance)</u></p> <p>The Council Tax gain share fund is no longer required following the cessation of the Capita contract.</p>
	<p><u>Implementation of Savings Proposals</u></p>
11.	<p>All £4.16M of savings in the rebased 2019/20 budget have been achieved or are on track to be achieved before the end of this financial year. A further £2.02M of savings, included in the original budget agreed in February 2019, are now covered within the exercise of rebasing budgets. As stated to Cabinet on 15 October 2019 in the update to the Medium term Financial Strategy, the rebasing was itself cost neutral but places service and corporate budgets on a more accurate and reliable footing.</p>
	<p><u>Treasury Management</u></p>
12.	<p>Treasury Management borrowing and investment balances as at 30 September 2019 and forecasts for the year-end are set out in appendix 1. After taking into account maturing and new debt requirements in year and a reduction in investment balances, there is an estimated increase in net borrowing of £75.83M for 2019/20.</p>
13.	<p>The government announced an increase in the margin on PWLB loan rates from 0.8% to 1.8% on 9 October 2019. The Council will review its sources of borrowing in light of this increase.</p>
14.	<p>Appendix 1 includes an overview of current performance along with an update on the</p>

	financial outlook. The Council approved a number of indicators at its meeting in February 2019. The Council has operated within the agreed prudential indicators for the first half of the year and is forecast to do so for the remainder of the year. A review of prudential limits and treasury management for the first half of the year is on the agenda of the Governance Committee on 11 November 2019 and is available in the members' library.
15.	The Council will continue to monitor the financial markets closely in light of uncertainties over the UK's exit from the EU and the impact of a general election, and will keep its treasury management strategy under review.
	<u>Reserves & Balances</u>
16.	The General Fund Balance is currently £10.07M with no planned drawdown during the year. The use of reserves is being monitored and their use is in line with the Financial Strategy.
17.	At the 31 March 2019, earmarked reserves totalled £85.81M, plus Schools Balances totalling £2.85M. The estimated forecast position as at the 31 March 2020 is £63.03M, with Schools Balances forecast to be nil.
	<u>Key Financial Risks</u>
18.	The Council maintains a financial risk register which details the key financial risks that face the Council at a given point in time. It is from this register that the level of balances and reserves is determined when the budget is set at the February Council meeting. The register has been reviewed and is attached as appendix 2.
	<u>Schools</u>
19.	As at 30 September 2019 there were 14 schools reporting a deficit balance of £4.46M. This is the same number of schools and a reduction of £0.23M compared to the position reported at the end of the first quarter. These schools are working with Children's & Families to agree Deficit Recovery Plans (DRP). Additional resources have been made available from earmarked reserves to fund a school improvement officer and additional finance support. This team is working closely with these schools to develop deficit recovery plans and to monitor achievement against these during 2019/20.
20.	<p>As previously reported there is a significant pressure within the High Needs Budget which overspent by £4M in 2018/19. That overspend was partially offset from a number of sources: £2M from General Fund Reserves as a one-off contribution, £0.53M additional High Need funding from central government in recognition of High Needs pressures nationally and the transfer of 0.5% Schools Block funding to the High Needs Block £0.7M. These contributions total to £3.23M leaving a net outturn overspend of £0.77M.</p> <p>The forecast for 2019/20 is for the pressure to continue at £4M however additional funding to offset this is a further central government contribution of £0.53M. The Schools Forum elected not to transfer 0.5% to High Needs and the forecast is therefore for a £3.47M overspend in High Needs.</p> <p>The Service is working towards creating additional capacity within the City for children with High Needs who would otherwise become placed in expensive out of city settings which would significantly reduce High Needs expenditure.</p>
	<u>Financial Health Indicators</u>

21. 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 3 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.

22. At present all indicators are green with the exception of those for Creditor Payments. Payment Days for the second quarter are 21 days compared to a target of 20 and 90.0% of undisputed invoices have been paid within terms compared with a target of 98%. This is a deterioration in performance compared to the first quarter.

Housing Revenue Account

23. The overall forecast position for the year end on income and expenditure items indicates an underspend of £1.77M as summarised in Table 2 below. The most significant variance relates to a reduction in interest and principal payable following a review of the HRA capital programme (£0.97M favourable variance). Further details and an explanation of significant variances is provided in appendix 4.

	Budget Qtr 2 £M	Forecast Qtr 2 £M	Variance Qtr 2 £M
Expenditure	74.24	72.62	1.62 F
Income	(74.24)	(74.39)	0.15 F
(Surplus) / Deficit for the year	0.00	(1.77)	1.77 F

Collection Fund

24. Appendix 5 shows the forecast outturn position for the Collection Fund at quarter 2, with the position summarised in Table 3.

Table 3 – Collection Fund Forecast 2019/20

	Council Tax £M	NDR £M	Total £M
Distribution of previous years' estimated surplus	2.39	3.10	5.49
Other income and expenditure	(0.81)	2.12	1.31
Deficit/(Surplus) for the year	1.58	5.22	6.80
Deficit/(Surplus) brought forward from 2018/19	(1.48)	(5.36)	(6.84)
Overall Deficit/(Surplus) Carried Forward	0.11	(0.15)	(0.04)
SCC Share of Deficit/(Surplus)	0.09	(0.40)	(0.31)

NB Numbers are rounded

25. This is an improvement in the Non Domestic Rates (NDR) position compared to the first quarter, primarily due to new premises coming in to the rating list and bills being backdated.

26.	Any deficit or surplus on the Collection Fund will need to be taken into account at the time of setting the 2020/21 General Revenue Fund Budget.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
27.	The revenue implications are contained in the report. There are no capital implications.
<u>Property/Other</u>	
28.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
29.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications:</u>	
30.	None.
RISK MANAGEMENT IMPLICATIONS	
31.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
32.	None.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	Treasury Management Qtr 2
2.	Key Financial Risk Register Qtr 2
3.	Health Indicators Qtr 2
4.	HRA Forecast Qtr 2
5.	Collection Fund Qtr 2

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact	No
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Assessment (EIA) to be carried out?		
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?		No
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 2019/20 to 2022/23 (Approved by Council February 2019)	