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| DECISION-MAKER: | CABINET |
| SUBJECT: | CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2011 |
| DATE OF DECISION: | 5 SEPTEMBER 2011 |
| REPORT OF: | CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE |
| STATEMENT OF CONFIDENTIALITY | |
| Not applicable. | |

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 2011, 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 budget monitoring position for the General Fund 2011/12 as at Month 3 (June), which is a forecast over spend at year end of **£0.4M** against the budget approved by Council on 16 February 2011, as outlined in paragraph 4.
- (ii) Note that the baseline forecast over spend for portfolios is £2.0M.
- (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 £2.4M to cover service related risks, and that the estimated draw at Month 3 is £0.5M to cover expenditure which is included within the baseline forecast portfolio over spend of £2.0M.
- (v) Note that the Revenue Development Fund totals £1.4M. At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised.
- (vi) Note that £104,300 has been allocated from the contingency to fund the recommendations contained in the 2010/11 Grants to Voluntary Organisations report as approved by Cabinet on 21 June 2010.
- (vii) Note that £45,000 has been allocated from the contingency to reflect the fact that the savings proposal to increase the cost of Meals on Wheels has been reviewed and amended such that the planned increase in income will not be delivered in 2011/12.

- (viii) Note that it has been assumed that the remaining contingency of £100,700 will be fully utilised by the end of 2011/12 with this sum being allocated to fund the majority of the cost of introducing a market supplement of £1,400 per annum for a range of social workers within Children's Services & Learning on a temporary six month basis.
- (ix) Note the forecast level of balances which will fall below the minimum level of £4.5M in the medium term if further remedial action is not taken in year to reduce the forecast over spend from the current level of £0.4M to at least a break even position.
- (x) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2011/12 as detailed in Appendix 9.
- (xi) Note the performance against the financial health indicators detailed in Appendix 10.
- (xii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 11.

Housing Revenue Account

It is recommended that Cabinet:

- (xiii) Note the current HRA budget monitoring position for 2011/12 as at Month 3 (June), which is a forecast over spend at year end of **£34,800** against the budget approved by Council on 16 February 2011, as outlined in paragraph 19.

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)

CONSULTATION

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

4. **Financial Summary**

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 **£0.4M**, as shown below:

| | Forecast Outturn Variance £000's | Forecast Outturn Variance % |
|---------------------------------|---|--|
| Baseline Portfolio Total | 1,951.9 A | 1.0 |
| Draw From Risk Fund | 512.0 F | |
| Portfolio Total | 1,439.9 A | 0.7 |
| Capital Asset Management | 650.0 F | |
| Other Expenditure & Income | 414.0 F | |
| Net Total General Fund | 375.9 A | 0.4 |

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 £1,439,900 and this is analysed below:

| Portfolio | Baseline Forecast Outturn Variance £000's | Risk Fund Items £000's | Forecast Outturn Variance | | See Appendix |
|--------------------------------|--|---------------------------------------|--|------------|-------------------------|
| | | | £000's | % | |
| Adult Social Care & Health | 882.2 A | 327.0 F | 555.2 A | 0.8 | 2 |
| Children's Services & Learning | 490.9 A | 0.0 | 490.9 A | 1.3 | 3 |
| Environment & Transport | 420.5 A | 185.0 F | 235.5 A | 0.9 | 4 |
| Housing | 62.6 F | 0.0 | 62.6 F | 0.7 | 5 |
| Leader's | 0.0 | 0.0 | 0.0 | 0.0 | 6 |
| Leisure & Culture | 220.9 A | 0.0 | 220.9 A | 3.2 | 7 |
| Resources | 0.0 | 0.0 | 0.0 | 0.0 | 8 |
| Portfolio Total | 1,951.9 A | 512.0 F | 1,439.9 A | 0.7 | |

The corporate and key issues affecting each portfolio are set out in Appendices 2 to 8, as per the previous table.

5. **Remedial Action**

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.

6. **Capital Asset Management**

The favourable variance of £650,000 is primarily due to a reduction in net interest payable resulting from lower than anticipated borrowing costs. This has been as a consequence of the fact that we have borrowed at lower rates than originally estimated. Lower rates have been achieved through a conscious decision to continue to utilise short term debt which remains available at lower rates than long term debt due to the depressed market. The predictions based on all of the economic data are that this will continue for the remainder of the year.

7 **Other Expenditure & Income**

The favourable variance of £414,000 relates to three off setting factors:

- **Corporate Savings (£1.3M A)**
 - **Delayed implementation of the changes to Terms & Conditions (£1,316,000 A)** – When the budget was set in February an implementation date of 1 April was assumed on the basis that a collective agreement was still possible. The implementation date achieved following a 90 day consultation period of 11 July has resulted in a reduction in the saving to be achieved in 2011/12.
 - **HMRC Mileage Rate (£27,000 A)** – The changes to Terms & Conditions included a reduction in mileage rates to match the HMRC rate. This rate was 40p but shortly after the budget decision HMRC increased it to 45p which reduced the saving to be achieved in 2011/12. The full year impact of this is £107,800 and this will be reflected in the revised budget forecast position for future years.
- **Exceptional Items (£2.8M F)** – As a result of two separate issues a favourable variance has arisen. The items are:
 - **Supporting People (£1,340,000 F)** – In previous years this ring-fenced grant was not fully spent despite service plans being fully delivered and the balance was held separately for use in future years. This grant is no longer ring fenced and as such is available to use within the General Fund.
 - **Reduced Street Lighting PFI Payments (£1,462.00 F)** – During the early stages of the PFI contract the Council is to receive ‘service deductions’ in view of the fact that the contractor will need time to undertake work to install new columns. These deductions are currently estimated to be £1.46M in 2010/11.
- **Contribution to Direct Revenue Financing of Capital (DRF) (£1.0M A)** – Additions to the Capital Programme are to be included in the in the Capital Programme Update report which is to be approved by Council on 14 September 2011 and funding of £1.0M from DRF will be required. The precise timing of the need for this funding will be confirmed as part of the Capital Programme Update.

These items are all one off in nature. However, when the budget was set in February it was planned to utilise the funding released from Supporting People to support the budget position in 2012/13 and this will no longer be possible. This change will be reflected in the revised budget forecast

position for future years and addressed as part of the development of the budget for 2012/13.

8. **Risk Fund**

Potential pressures that may arise during 2011/12 relating to volatile areas of both expenditure and income are being managed through the Risk Fund.

A sum of £2.3M is now 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.

At Month 3, it is estimated that pressures within portfolios will require the allocation of £0.5M from the Risk Fund, as shown in the table below:

| Portfolio | Service Activity | £000's |
|--------------------------------------|--------------------------------------|---------------|
| Adult Social Care & Health | Adult Disability Care – Dementia | 67.0 |
| Adult Social Care & Health | Learning Disability – Transition/ILF | 260.0 |
| Environment & Transport | Income – Bus Shelter Contract | 185.0 |
| Portfolio Draw From Risk Fund | | 512.0 |

The Risk Fund, which previously stood at £6.1M now totals £2.3M following the allocation of £3.8M. The funding allocated is shown below:

| Portfolio | Service Activity | £000's |
|---|---------------------------------|----------------|
| Children's Services & Learning | Safeguarding Children | 1,000.0 |
| Environment & Transport | Income – Off Street Car Parking | 1,629.0 |
| Environment & Transport | Income – Bereavement Services | 646.9 |
| Environment & Transport | Income – Development Control | 438.8 |
| Housing | Fuel Inflation - Open Spaces | 48.6 |
| Funding Allocated From the Risk Fund | | 3,763.3 |

9. **Revenue Development Fund**

The majority of the revenue developments are complex strategic projects around which there are uncertainties in relation to timing and speed of progress. Consequently, it was agreed that funding for these projects be placed into a Revenue Development Fund to enable the Council to retain flexibility in funding.

The Revenue Development Fund which originally stood at £2.2M now totals £1.4M following the allocation of £0.8M to fund approved highways improvements. At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised in 2011/12.

10. **Contingency**

The contingency was originally set at £250,000 and of this £149,300 has been allocated to date as follows:

- **Grants to Voluntary Organisations (£104,300)** – Allocated from the contingency to fund the recommendations contained in the 2010/11 Grants to Voluntary Organisations report as approved by Cabinet on 21 June 2010.
- **Meals On Wheels (£45,000)** – Allocated from the contingency to reflect the fact that the savings proposal to increase the cost of Meals on Wheels has been reviewed and amended such that the planned increase in income will not be delivered in 2011/12.

The remaining sum of £100,700 is to be allocated to Children's Services & Learning. Current market conditions nationally are such that the supply of social workers is insufficient to meet demand and there is significant competition between authorities to recruit and retain high calibre social work staff. The council has acted to try and retain qualified social work staff by proposing a market supplement of £1,400 per annum for a range of social workers within Children's Services & Learning on a temporary six month basis. This will cost an additional £108,000 for 2011/12 and £100,700 will be met from the remaining Contingency with the rest managed within the bottom line of the Portfolio.

11. **Approved Carry Forward Requests**

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 following consultation with the Cabinet Member for Leisure, Culture & 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.

At this stage of the year no variance to planned spend is anticipated and this will be actively monitored each month.

12. **Potential Carry Forward Requests / Impact on Balances**

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

13. **Forecast Employee Expenditure**

Included within the baseline forecast portfolio over spend of £2.0M is a forecast under spend on employees of £0.1M. The position by portfolio is as follows:

| Portfolio - Employee Costs | Variance to June £000's | Forecast Outturn Variance £000's | Forecast Outturn Variance % |
|-----------------------------------|------------------------------------|---|--|
| Adult Social Care & Health | 67.6 F | 209.7 F | 1.1 |
| Children's Services & Learning | 180.8 A | 167.4 A | 0.6 |
| Environment & Transport | 109.8 F | 53.2 A | 0.4 |
| Housing | 179.7 A | 123.5 F | 1.5 |
| Leader's | 55.9 A | 55.0 F | 0.7 |
| Leisure & Culture | 17.7 A | 47.7 A | 0.9 |
| Resources | 52.5 A | 7.2 A | 0.0 |
| Total General Fund | 309.2 A | 112.5 F | 0.1 |

14. **Key Portfolio Issues**

The corporate and other key issues for each portfolio are detailed in Appendices 2 to 8.

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.

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

| Portfolio | Corporate Issue | Adverse Forecast £000's | See Appendix & Reference |
|--------------------------------|---|------------------------------------|---|
| Adult Social Care & Health | Adult Disability Care Services | 721.8 | 2 – ASCH 1 |
| Adult Social Care & Health | Learning Disability | 501.8 | 2 – ASCH 2 |
| Children's Services & Learning | Tier 4 Safeguarding Specialist Services | 695.0 | 3 – CSL 2 |
| Children's Services & Learning | Safeguarding Management | 428.4 | 3 – CSL 3 |
| Children's Services & Learning | Tier 3 Social Work Teams | 275.8 | 3 – CSL 4 |
| Environment & Transport | Off Street Car Parking | 248.5 | 4 – E&T 1 |
| Environment & Transport | Bus Shelters | 185.0 | 4 – E&T 2 |

Corporate Favourable Variances

| Portfolio | Corporate Issue | Favourable Forecast £000's | See Appendix & Reference |
|--------------------------------|---------------------------------------|---------------------------------------|---|
| Adult Social Care & Health | Provider Services – City Care | 214.7 | 2 – ASCH 3 |
| Children's Services & Learning | Commissioning & Workforce Development | 415.9 | 3 – CSL 1 |
| Environment & Transport | Waste Disposal | 336.6 | 4 – E&T 3 |

15. **General Fund Balances**

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 2010/11 and the forecast position for 2011/12 as outlined in this monitoring report:

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|----------------------------------|-----------------|-----------------|----------------|----------------|----------------|
| | £000's | £000's | £000's | £000's | £000's |
| Opening Balance | 19,849.5 | 17,393.9 | 9,384.2 | 4,847.9 | 4,082.4 |
| Draw from / (to Support) Revenue | 2,369.2 | (126.9) | | | |
| Draw to Support Capital | (499.6) | (145.0) | | | |
| Draw for Strategic Schemes | (4,325.2) | (7,737.8) | (4,536.3) | (765.5) | 42.3 |
| Closing Balance | 17,393.9 | 9,384.2 | 4,847.9 | 4,082.4 | 4,124.7 |

The minimum level of balances is set at £4.5M and consequently further remedial action must be taken in year to reduce the forecast over spend from the current level of £0.4M to at least a break even position. If this is not achieved then any shortfall will need to be addressed as part of the development of the budget for future years in order to replenish balances.

16. Implementation of Savings Proposals

Savings proposals of £11.9M were approved by Council in February 2011 as part of the overall budget package for 2011/12. The delivery of these savings is key to the financial position of the authority and below is a summary of the progress as at the end of the first quarter:

| Portfolio | Implemented and Saving Achieved | Not Yet Fully Implemented and Achieved But Broadly on Track | Saving Not on Track to be Achieved |
|--------------------------------|---------------------------------|---|------------------------------------|
| | % | % | % |
| Adult Social Care & Health | 26.8 | 65.1 | 8.1 |
| Children's Services & Learning | 100.0 | 0.0 | 0.0 |
| Environment & Transport | 61.8 | 38.2 | 0.0 |
| Housing | 41.2 | 24.2 | 34.6 |
| Leader's | 85.7 | 14.3 | 0.0 |
| Leisure & Culture | 13.9 | 38.5 | 47.6 |
| Resources | 89.1 | 10.9 | 0.0 |
| Total General Fund | 62.0 | 29.9 | 8.1 |

The overall shortfall in the delivery of the savings proposals is currently forecast as £0.6M or 5.0% as for some of the proposals, whilst the actions may not be on track to be fully implemented, progress has been made towards delivery of the financial outcomes.

Where savings are not on track to be achieved 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 financial savings have not materialised.

The progress made in implementing and delivering the savings proposals has been reviewed by the Chief Officers Management Team and Appendix 9 contains further details. The financial implications of the delivery of these proposals are reflected in the current forecast position and areas of ongoing concern have been fully reviewed and appropriate action plans put into place. In addition, any implications for the budget for 2012/13 and future years will be addressed as part of the development of the budget.

17. **Financial Health Indicators**

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.

18. **Quarterly Treasury Management Report**

The Council approved a number of indicators at its meeting of the 16 February 2011 and Appendix 11 outlines current performance against these indicators in more detail.

19. **Housing Revenue Account**

The expenditure budget for the HRA is £63.9M and the income budget is £3.9M. The overall forecast position for the year end shows an adverse variance of £34,800. There are no corporate variances to report but the detail is set out in Appendix 12.

RESOURCE IMPLICATIONS

Capital

20. None.

Revenue

21. Contained in the report

Property/Other

22. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

24. Not applicable.

POLICY FRAMEWORK IMPLICATIONS

25. Not applicable.

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|----------------|---------|---------------------------------|------|---------------|
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KEY DECISION? Yes/No YES

| | |
|------------------------------------|-----|
| WARDS/COMMUNITIES AFFECTED: | ALL |
|------------------------------------|-----|

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

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

Documents In Members' Rooms

| | |
|----|------|
| 1. | None |
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Integrated Impact Assessment

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| Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out. | Yes/No |
|--|--------|

Other Background Documents

Integrated 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 2011/12 to 2013/14 (Approved by Council on 16 February 2011) | |
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