

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2014		
<b>DATE OF DECISION:</b>	10 FEBRUARY 2015		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES AND LEISURE		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

### **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the nine months to the end of December 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 9 (December), which is a forecast under spend at year end of £695k against the budget approved by Council on 12 February 2014, as outlined in paragraph 4.
- ii) Note that the forecast over spend for portfolios is £3,262k after draws from the Risk Fund and carry forward requests are taken into account.
- 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 stands at a sum of £3,117k to cover service related risks (following the allocation of £1,283k to portfolios) and that the estimated draw at Month 9 is £1,758k.
- v) Note that it has been assumed that the contingency balance, which now stands at £242k, 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 9 (December). There is a forecast over spend at year end of £267k against the budget approved by Council on 12 February 2014, as outlined in paragraph 30.

### **REASONS FOR REPORT RECOMMENDATIONS**

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

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

2. Not applicable.

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

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

### **Financial Summary**

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an under spend of £695k, as shown below: **Table 1 Financial Summary**

	<b>Forecast Outturn Variance £000</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>5,020 A</b>	<b>2.6</b>
Draw From Risk Fund	1,758 F	
<b>Portfolio Total</b>	<b>3,262 A</b>	<b>1.7</b>
Capital Asset Management	1,600 F	
Non-specific Government Grants	998 F	
Risk Fund	1,359 F	
<b>Net Total General Fund</b>	<b>695 F</b>	<b>0.7</b>

5. As shown in the above table, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an over spend of £3,262k and this is analysed below:

### **Table 2 Forecast Portfolio Revenue Outturn on Net Controllable Spend**

Portfolio	Baseline Forecast Outturn Variance £000	Risk Fund Items £000	Forecast Outturn Variance		See Appendix
			£000	%	
Children's Services	3,905 A	795 F	3,110 A	7.8	2
Communities	102 A	102 F	0	0.0	3
Environment & Transport	16 F	0	16 F	0.1	4
Health & Adult Services	2,990 A	645 F	2,345 A	3.7	5
Housing & Sustainability	223 A	216 F	7 A	0.4	6
Leader's	340 F	0	340 F	7.2	7
Resources & Leisure	1,844 F	0	1,844 F	3.7	8
<b>Portfolio Total</b>	<b>5,020 A</b>	<b>1,758 F</b>	<b>3,262 A</b>	<b>1.7</b>	

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

### **Remedial Action and Likely Favourable Movements**

7. Portfolios plan to take remedial action to manage a number of the significant 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.

### **Capital Asset Management**

8. The favourable variance of £1,600k 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 £1,900k less than budgeted, of which approximately £931k benefits the General Fund. This is mainly a result of variable interest rates being lower than estimated, no new long term borrowing being undertaken since 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 around £651K 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 £998k 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 £900k more than budget.
13. Remands allocation of £98k has been received from the Ministry of Justice.

## **Risk Fund**

14. 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 £4,400k 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.
15. The Risk Fund, which originally stood at £4,400k, now totals £3,117k following the allocation of £1,283k into portfolios net controllable spend working budgets. The funding allocated is shown below:

**Table 3 Funding Allocated from Risk Fund**

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000</b>
Health & Adult Social Care	Learning Disability	800
Health & Adult Social Care	Independent Living	400
Resources & Leisure	Active Nation Utilities	83
<b>Funding Allocated From the Risk Fund</b>		<b>1,283</b>

16. At Month 9, it is estimated that pressures within Portfolios will require the allocation of a further £1,758k from the Risk Fund, as shown in the table below, leaving a balance of £1,359k.

**Table 4 Further Allocations from Risk Fund as at Month 9**

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000</b>
Children's Services	Looked After Children & Resources	430
Children's Services	Divisional Mgt & Legal	200
Children's Services	Infrastructure – Transport	165
Communities	Youth Remand	102
Health & Adult Social Care	Adult Disability	400
Health & Adult Social Care	Continuing Care	245
Housing & Sustainability	Sustainability CRC	216
<b>Portfolio Draw From Risk Fund</b>		<b>1,758</b>

17. 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, to offset the portfolio overspend position, but this 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**

18. The contingency originally totalled £250k but now stands at £242k following the allocation of £8k to Resources and Leisure for Music in the City. It has been assumed that the balance will be fully utilised by the end of 2014/15.

## **Approved Carry Forward Requests**

19. 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 and Leisure, 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**

20. One potential carry forward has been identified within Resources and Leisure of £84k for the New Arts Centre which is detailed in Appendix 8 (RES6).

**Significant and Key Portfolio Issues**

21. The significant and key issues for each portfolio are detailed in Appendices 2 to 8.
22. 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 significant 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.
23. There are, however, certain issues which are highlighted in the following tables as being the most significant for Cabinet to note.

**Table 5 Significant Adverse Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Adverse Forecast £000</b>	<b>After Risk Fund Draw £000</b>	<b>See Appendix &amp; Reference</b>
Children's Services	Looked After Children	2,906	2,476	2 / CS1
Children's Services	Education and Early Years	338	173	2 / CS2
Children's Services	Divisional Mgt & Legal	458	258	2 / CS3
Communities	Prevention & Inclusion	165	63	3 / COMM1
Environment & Transport	Waste Disposal	747	747	4 / E&T1
Health & Adult Social Care	Long Term	3,361	2,716	5 / H&ASC1
Resources & Leisure	Galleries & Museums	286	286	8 / RES1

**Table 6 Significant Favourable Variances**

Portfolio	Corporate Issue	Favourable Forecast £000	After Risk Fund Draw £000	See Appendix & Reference
Resources & Leisure	Central Repairs & Maintenance	540	540	8 / RES3

### **Implementation of Savings Proposals**

24. Savings proposals of £14,451k 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. Table 6 is a summary of the progress as at the end of the third quarter to highlight the level of risk associated with delivery and Appendix 9 contains further details:

**Table 7 Progress on the Delivery of Savings**

	%
Implemented and Saving Achieved	86.2
Not Yet Fully Implemented and Achieved But Broadly on Track	2.9
Saving Not on Track to be Achieved	10.9

25. 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.
26. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £1,401k or 9.7% of the total to be delivered which is shown by Portfolio in Appendix 9.
27. 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**

28. 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. There are no areas of significant concern at month 9.

### **Quarterly Treasury Management Report**

29. 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. At month 9 the key points to note are:
- The council's borrowing level has fallen;
  - No new borrowing has been taken out this financial year;
  - UK Bank Rate has maintained at 0.5% and is not expected to increase in this financial year; and
  - Investment in Bonds have performed better by returning an average interest rate of 1.72% in year.

### **Housing Revenue Account**

30. The expenditure budget for the HRA was set at £75,100k and the income budget at £75,100k, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £267k compared to this budget.
31. There are three corporate variances to report for which the detail is set out in Appendix 12.

### **Collection Fund Surplus 2014/15**

32. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax and Business Rate elements of the Collection Fund at the end of each financial year in order that these amounts can be included in the budget calculations for the coming financial year.
33. A revised estimate of the Collection Fund surpluses and deficits as at the end of December 2014 has been made. This gives an estimated increase in the income due from council tax payers in 2014/15 of £3,212k and £4,989k for income from Business Rates compared to the original forecast at tax setting time.
34. In addition, there was a further increase in the carry forward of the council tax income surplus from 2013/14 of £530k and a deficit of £154k for business rates income. This gives an overall council tax surplus of £3,742k and an overall business rate surplus of £4,834k in 2014/15.
35. The Council's share of these surpluses is £3,206k and £2,369k for council tax and business rates respectively. These surpluses will be taken into account in setting the 2015/16 Council Tax. Appendix 13 details the Collection Fund Surplus/Deficit account for 2014/15.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

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

### **Property/Other**

37. None.

## **LEGAL IMPLICATIONS**

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

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

**Other Legal Implications:**

39. None.

**POLICY FRAMEWORK IMPLICATIONS**

40. None.



**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	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
13.	Collection Fund Surplus/Deficit 2014/15

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

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

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	General Fund Revenue Budget Report 2014/15 to 2016/17 (Approved by Council on 12 February 2014)	
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