

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF 31 <sup>st</sup> DECEMBER 2015		
<b>DATE OF DECISION:</b>	9 FEBRUARY 2016		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Mel Creighton	<b>Tel:</b> 023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a>	
<b>Chief Financial Officer:</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	<a href="mailto:Andrew.Lowe@southampton.gov.uk">Andrew.Lowe@southampton.gov.uk</a>	

<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 three months to the end of December 2015, 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 2015/16 as at Qtr 3, which is a forecast over spend at year end of £0.12M against the working budget, as outlined in paragraph 4.
- ii) Note that the forecast over spend for portfolios is £7.78M as outlined in paragraph 5.
- iii) Note the previously agreed actions being put in place to address the overspend position as described in paragraphs 9 and 10.
- iv) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2015/16 as detailed in Appendix 3.
- v) Note the performance against the financial health indicators detailed in Appendix 4.
- vi) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 5.
- vii) Note the performance outlined in the Quarterly Collection Fund Statement attached as Appendix 7.

#### **Housing Revenue Account**

It is recommended that Cabinet:

- viii) Note the current HRA budget monitoring position for 2015/16, as at Qtr 3. There is a forecast overspend at year end of £0.22M against the budget approved by Council on 11 February 2015, as outlined in paragraphs 37 and 38 and in Appendix 6.

## 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 overspend of £0.12M, as shown below:

**Table 1 Summary Forecast Outturn Position**

	<b>Forecast Outturn Variance £M</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>7.78 A</b>	<b>4.4</b>
Capital Asset Management	2.10 F	
Other Income & Expenditure	5.33 F	
Non-specific Government Grants	0.23 F	
<b>Net Total General Fund</b>	<b>0.12 A</b>	<b>0.07</b>

5. As shown in the Table 1, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an overspend of £7.78M. This is an improvement of £1.52M against the baseline set at Qtr 2 and this is analysed below:

**Table 2 Portfolio Forecast Outturn Position**

<b>Portfolio</b>	<b>Qtr 2 Baseline Forecast</b>	<b>Qtr 3 Forecast Outturn</b>	<b>Movement Variance</b>

	<b>Outturn Variance £M</b>	<b>Variance £M</b>	<b>£M</b>	<b>%</b>
Communities, Culture & Leisure	0.55 A	0.29 A	0.26 F	4.2 F
Education & Children's Social Care	7.75 A	7.81 A	0.06 A	0.2 A
Environment & Transport	0.11 F	0.58 F	0.47 F	2.1 F
Finance	0.68 F	1.43 F	0.75 F	2.1 F
Health & Adult Social Care	2.64 A	3.47 A	0.83 A	1.4 A
Housing & Sustainability	0.00 F	0.09 A	0.09 A	3.2 A
Leader's Portfolio	0.85 F	1.87 F	1.02 F	8.8 F
Transformation	0.00 -	0.00 -	0.00 -	0.0 -
<b>Portfolio Total</b>	<b>9.30 A</b>	<b>7.78 A</b>	<b>1.52 F</b>	<b>0.9 F</b>

6. The significant issues affecting each portfolio are set out in Appendix 2.
7. It should be noted that £10.3M of potential savings in 2015/16 were reported to August and October Cabinet and approved in November by Council. The £10.3M has been transferred to the Medium Term Financial Risk Reserve.
8. However the adverse variance in 2015/16 needs to be addressed by the actions described in paragraph 9 so pressures are not transferred into 2016/17.
9. Children's Services are currently forecasting to overspend by £7.81M. Of this sum Looked After Children account for £5.28M. It is therefore proposed that at this stage £5M is included within the budget forecast to address this pressure. With regards to the other pressures within this portfolio a number of actions are taking place in line with the actions detailed in paragraph 11.
10. It should be further noted that in June 2015 the Chancellor announced the need to make £200M worth of savings from the current year Public Health funding. Following a consultation process, the reduction for this Council has been confirmed as £1.06M. Whilst it is expected that in year and future year reductions in funding will be managed within the Public Health resource it should be noted that the forecast position for 2015/16 includes a pressure of £0.27M where offset reductions are still to be identified. The implications for 2016/17 and future years will be included in setting the budgets for those years.

### **Actions being taken to address the adverse position**

11. Portfolios plan to take remedial action to manage a number of the significant issues highlighted in this report. Specific actions are included within Appendix 2 where applicable.
12. As previously reported there are a number of actions that have been put in place to address the adverse position. These actions are:
  - a. The individual service areas are working with finance and transformation to draw up recovery action plans to minimise the amount of pressure being carried forward into 2016/17.
  - b. Vacancy Freeze – all directorates have been instructed to hold posts vacant and to not recruit with only minimal exceptions to be agreed by Directors for critical posts.
  - c. Non Essential Spend – all directorates have been instructed to cease spending on any non-essential non pay expenditure.
  - d. Any posts which have been held vacant and not covered by temporary arrangements

for over 6 months will be deleted.

### **Capital Asset Management**

13. A review of the current year borrowing and investment activity has identified a net forecast underspend of £2.10M against budget. This is due to:
- £2.30M lower borrowing costs due to lower than expected need to borrow.
  - £0.50M increase in interest received on investments
  - Offset by £0.7M increase Minimum Revenue Provision (MRP) requirement as a result of a change in the policy for funding MRP to generate additional revenue savings.

### **Other Income and Expenditure**

14. At Qtr 3 the forecast position shows a forecast favourable position of £5.33M against other income & expenditure. This reflects a revised figure of £4.76M for assumed use of the risk fund and £0.56M additional income from contractual refunds.

### **Non-Specific Government Grants**

15. Additional non-specific Government grant income not included in the budget is anticipated resulting in a forecast favourable variance of £0.23M as follows:
16. 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 2015/16 is expected to be £0.39M more than budget.
17. Local Reform & Community Voices Grant is expected to be £0.05M more than budget.
18. Housing Benefit Admin Subsidy Grant is expected to be £0.13M lower than budget.
19. Council Tax Support New Burdens Funding received in May was £0.08M lower than budgeted.

### **Risk Fund**

20. Potential pressures that may arise during 2015/16 relating to volatile areas of both expenditure and income are managed through the Risk Fund. A sum of £4.76M is included in the working budget to cover these pressures. As evidence is provided to substantiate the additional expenditure or reduction in income, allocations from the risk fund will be considered.
21. The Risk Fund, which originally stood at £4.50M, now totals £4.76M. The funding allocated is shown below:

**Table 3 Current Risk Fund Position**

		<b>£M</b>
<b>Opening Risk Fund Provision 2015/16</b>		<b>4.50</b>
<b>Portfolio</b>	<b>Service Activity</b>	
Health & Adult Social Care	Care Act Pressure	0.80
Education & Children's Social Care	City Catering	(0.36)
Communities, Culture & Leisure	Arts & Heritage	(0.18)

22. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2015/16 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of setting the budget for 2016/17 to ensure that a sufficient allocation is included for such pressures in the future.

### **Contingency**

23. The contingency totals £0.25M and it has been assumed that it will be fully utilised by the end of 2015/16.

### **Approved Carry Forward Requests**

24. Carry forwards from 2014/15 totalling £0.3M were approved by Council on 15<sup>th</sup> July 2015. The appropriate budgets and forecast spend have now been included within the reported portfolio position for 2015/16.

### **Potential Carry Forward Requests**

25. There is currently one potential carry forward request for an item within the Leaders Portfolio. A budget of £0.45M has been earmarked within the planned maintenance programme to facilitate a match funding bid to be submitted to the Heritage Lottery Fund to enable improvements to the Art Gallery. It is anticipated that the outcome of the bid and any potential approval of funding may slip into the next financial year. Therefore a carry forward request may need to be submitted at year end to ensure the match funding is still available to support the bid.

### **Significant Portfolio Issues**

26. The significant issues for each portfolio are detailed in Appendix 2 by Portfolio.
27. 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 issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendix 2.
28. There are, however, certain 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 below and the favourable variances in the second.

**Table 4 Significant Adverse Variances**

Portfolio	Corporate Issue	Adverse Forecast £M	See Reference
Communities, Culture & Leisure	Gallery & Museums	0.18 A	COMM 2
Communities, Culture & Leisure	Social Fund & Property	0.17 A	COMM 4
Education and Children's Social Care	Divisional Management & legal	0.56 A	E&CSC1
Education and Children's Social Care	Quality Assurance	0.27 A	E&CSC2
Education and Children's Social Care	Specialist Core Services	1.10 A	E&CSC3
Education and Children's Social Care	Looked after Children &	5.28 A	E&CSC4

	Provision		
Education and Children's Social Care	MASH & Early Help	0.33 A	E&CSC5
Education and Children's Social Care	Education – Early Years and Asset Management	0.25 A	E&CSC6
Environment & Transport	Domestic Waste Collection	0.62 A	E&T 1
Environment & Transport	Waste Disposal	0.27 A	E&T 2
Health & Adult Social Care	Long Term Care	3.02 A	H&ASC 1
Health & Adult Social Care	Reablement	0.89 A	H&ASC 4
Health & Adult Social Care	Public Health	0.53 A	H&ASC 7
Housing and Sustainability	Prevention & Inclusion Service	0.20 A	H&S 3

**Table 5 Significant Favourable Variances**

<b>Portfolio</b>	<b>Corporate Issue</b>	<b>Favourable Forecast £M</b>	<b>See Reference</b>
Environment & Transport	E&T Contracts Management	0.74 F	E&T 3
Environment & Transport	Off Street Parking	0.09 F	E&T 4
Environment & Transport	Development Management	0.48 F	E&T 5
Environment & Transport	Travel	0.31 F	E&T 6
Finance	Partnership	0.46 F	FIN 1
Finance	Finance Service	0.15 F	FIN 2
Finance	Business Support	0.22 F	FIN 3
Finance	IT	0.15 F	FIN 4
Finance	Corporate Management	0.43 F	FIN 5
Finance	Local Taxation & Benefits	0.05 F	FIN 6
Health & Adult Social Care	ICU System Design	0.49 F	H&ASC 3
Health & Adult Social Care	Adult Services Management	0.58 F	H&ASC 5
Leaders	Central Repairs & Maintenance	0.65 F	LPOR 1
Leaders	Property Portfolio Management	0.31 F	LPOR 2
Leaders	Property Services	0.45 F	LPOR 3
Leaders	Registration of Electors & Election Costs	0.17 F	LPOR 4
Leaders	Legal Services & Customer Relations	0.12 F	LPOR 7

### **Implementation of Savings Proposals**

29. Savings proposals of £16.73M were approved by Council in February 2015 as part of the overall budget package for 2015/16. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the first quarter to highlight the level of risk associated with delivery and Appendix 3 contains further details:

**Table 6 Analysis of Achievement of Savings**

	%
Implemented and Saving Achieved	68.6
Not Yet Fully Implemented and Achieved But Broadly on Track	11.2
Saving Not on Track to be Achieved	20.2

30. 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.
31. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £3.18M or 19.0% of the total to be delivered which is shown by Portfolio in Appendix 3.
32. 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 are being put into place. In addition, any implications for the budget for 2016/17 and future years will be addressed as part of setting the budget.

### **Financial Health Indicators**

33. 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 4 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

### **Quarterly Treasury Management Report**

34. The Council approved a number of indicators at its meeting of 11 February 2015 and Appendix 5 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.
35. As at the 31<sup>st</sup> December 2015 the Council held the following levels of borrowings and investment:

**Table 7 Investment and Borrowing as at 31<sup>st</sup> December 2015**

	£M	Average Yield/Rate %
<b>Investments</b>		

Cash	46.37	0.49
Long Term Bonds	15.89	1.90
Corporate Bonds	15.27	0.98
Other Bonds	17.22	0.77
Property Fund	7.00	4.67
<b>Total Investments</b>	<b>101.75</b>	<b>-</b>
<b>External Borrowing</b>		
Public Works Loan Board (PWLB)	235.00	-
Market Loans	9.00	-
<b>Total External Borrowing</b>	<b>244.00</b>	<b>3.33</b>

36. A review of the current year borrowing and investment activity has identified a net forecast underspend of £2.10M. This is as a result of lower borrowing costs £2.30M (due to lower than expected need to borrow) and additional interest on investments of £0.50M. This has been offset by an increase in the Minimum Revenue Provision (MRP) requirement of £0.70M as a result of the change in the policy for funding MRP to general additional revenue savings.

#### **Housing Revenue Account**

37. The expenditure budget for the HRA was set at £77.13M and the income budget at £77.39, resulting in a net transfer to balances of £0.26M. The forecast position for the year end on income and expenditure items shows an adverse variance of £0.22M compared to this budget.
38. The significant variances are detailed in Appendix 6 but include:
- Overspend on Responsive Repairs £0.65M;
  - Shortfall in Rental Income £0.58M;
  - Overspend on Housing Management £0.19M;

Offset by:

- Increase in income from Leaseholders £0.46M;
- Reduced borrowing requirement for Capital Programme £0.54M: and
- Reduction in council tax payable on empty properties £0.20M.

#### **Collection Fund**

39. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax and Business Rate Element 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.
40. A forecast position for the Collection Fund as at the end of December 2015 has been made. The following table details the overall forecast changes.

	<b>Council Tax</b>	<b>NDR £M</b>	<b>Total £M</b>



	£M		
Change in 2015/16 Surplus	1.49	5.19	6.68
(Reduction)/Increase in yearend Surplus brought forward from 2014/15	(0.47)	0.95	0.48
<b>Overall 2015/16 Surplus</b>	<b>1.02</b>	<b>6.14</b>	<b>7.16</b>
<b>SCC Share of Surplus</b>	<b>0.87</b>	<b>3.01</b>	<b>3.88</b>

41. The council's share of the surplus for council tax is £0.87M and its share of the business rates surplus is £3.01M, giving a net surplus of £3.88M. These have been taken into account in setting the 2016/17 Council Tax and General Fund Budget. Appendix 7 details the Collection Fund Surplus/Deficit account for 2015/16.
42. It should be noted that a reduction in the bad debt provision of £0.97M is included within the change in surplus for Council Tax of £1.49M. Bad debt provision is based on an estimate of the likely level of bad debts linked to collection rates. A review has been undertaken and this has led to a reduced estimated requirement for 2015/16.

## RESOURCE IMPLICATIONS

### Capital/Revenue

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

### Property/Other

44. None.

## LEGAL IMPLICATIONS

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

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

### Other Legal Implications:

46. None.

## POLICY FRAMEWORK IMPLICATIONS

47. None.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Forecast Revenue Position Qtr 3
2.	Portfolio Summaries
3.	Savings Position 2015/16
4.	Health Indicators
5.	Treasury Management Qtr 3
6.	HRA Qtr 3
7.	Collection Fund Qtr 3

**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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**Privacy Impact Assessment**

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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**Other Background Documents**

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

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. General Fund Revenue Budget Report 2015/16 to 2017/18 (Approved by Council on 11 February 2015)	