

DECISION-MAKER:	CABINET		
SUBJECT:	CORPORATE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2010		
DATE OF DECISION:	22 NOVEMBER 2010		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the six months to the end of September 2010, and highlights any key issues by portfolio which need to be brought to the attention of the Cabinet.

RECOMMENDATIONS:

General Fund

It is recommended that Cabinet:

- (i) Note the current General Fund revenue budget monitoring position for the General Fund 2010/11 as at Month 6 (September), which is a forecast over spend at year end of **£293,900** against the budget approved by Council on 17th February 2010, as outlined in paragraph 4. This can be compared against the reported over spend at Month 3 of £1,123,600; an improvement of £829,700.
- (ii) Note that the baseline forecast over spend for portfolios is £4,302,200.
- (iii) Note that portfolios continue 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 £3.3M to cover service related risks, and that the estimated draw at Month 6 is £3.0M to cover expenditure which is included within the baseline forecast portfolio over spend of £4.3M. At this stage of the year, it has been prudently assumed that a further draw of £365,500 may be required in 2010/11 and consequently that the Risk Fund will be fully utilised.

- (v) Note that the Revenue Development Fund now totals £3.6M following the allocation of a further £1.3M in 2010/11 to portfolios. At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised, with the exception of £450,000. This was earmarked for the Building Schools for the Future Programme which has been halted by the Government.
- (vi) Note that it has been assumed that the contingency of £250,000 will be fully utilised by the end of 2010/11.
- (vii) Note the forecast includes an approved carry forward for Central Repairs & Maintenance as agreed by Full Council.
- (viii) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2010/11 as detailed in Appendix 10.
- (ix) Note the performance against the financial health indicators detailed in Appendix 11.
- (x) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 12 and specifically that the indicator relating to the ratio of financing costs to the net revenue stream has been reviewed and amended to 10.0% as outlined in paragraph 16. This amendment will be reflected in the next revision to the Treasury Management Strategy.

Housing Revenue Account

It is recommended that Cabinet:

- (xi) Note the current HRA budget monitoring position for 2010/11 as at Month 6 (September), which is a forecast under spend at year end of **£1,300** against the budget approved by Council on 17th February 2010, as outlined in paragraph 17. This can be compared against the reported over spend at Month 3 of £154,200; an improvement of £152,900.

REASONS FOR REPORT RECOMMENDATIONS

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

CONSULTATION

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Not applicable.

DETAIL

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 **£293,900**, as shown below:

	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Baseline Portfolio Total	4,302.0 A	2.5 A
Draw From Risk Fund	2,958.1 F	
Portfolio Total	1,343.9 A	0.7 A
Approved Carry Forwards	150.0 A	
Other General Fund Expenditure	750.0 F	
Revenue Development Fund	450.0 F	
Net Total General Fund	293.9 A	0.2 A

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 £1,343,900 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	496.8 A	0.0	496.8 A	1.0	2
Children's Services	1571.3 A	0.0	1571.3 A	5.2	3
Environment & Transport	2499.3 A	2,911.0 F	411.7 F	1.8	4
Housing Portfolio	147.0 F	0.0	147.0 F	7.9	5
Leader's Portfolio	129.2 F	0.0	129.2 F	1.7	6
Leisure Culture & Heritage	72.8 A	0.0	72.8 A	0.9	7
Local Services & Community Safety	91.9 A	47.1 F	44.8 A	0.4	8
Resources & Workforce Planning	153.9 F	0.0	153.9 A	0.4	9
Portfolio Total	4,302.0 A	2,958.1 F	1,343.9 A	0.7	

The corporate and key issues affecting each portfolio are set out in Appendices 2 to 9, as per the previous table.

5. Remedial Portfolio Action

Having managed the impact of the in year cuts announced by Government to ensure that the operating budget for 2010/11 remains in balance, Portfolios continue 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 9 where applicable and the financial impact is reflected in the forecast position.

6. Other General Fund Expenditure

The favourable variance of £750,000 is due to a reduction in net interest payable resulting from lower than anticipated borrowing costs. This has been as a consequence of lower borrowing levels due to slippage in the Capital Programme and also the fact that we have borrowed at lower rates than originally estimated. Lower rates have been achieved through a conscious decision to switch to short term debt which is currently available at lower rates than long term debt due to the depressed market.

7. Risk Fund

As last year, potential pressures that may arise during 2010/11 relating to volatile areas of both expenditure and income, are being managed through the Risk Fund. A sum of £3.3M is now included in the budget to cover these pressures and will be taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.

At Month 6, it is estimated that pressures within portfolios will require the allocation of £2,958,100 from the Risk Fund, as shown in the table below:

Portfolio	Service Activity	£000's
Environment & Transport	Income – Off Street Car Parking	1,545.0
Environment & Transport	Income – Bereavement Services	647.0
Environment & Transport	Income – Development Control	389.0
Environment & Transport	Income – Bus Shelter Contract	330.0
Local Services & Community Safety	Fuel Inflation - Open Spaces	47.1
Portfolio Draw From Risk Fund		2,958.1

At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised.

The Risk Fund, which previously stood at £5.9M now totals £3.3M following the allocation of £2.6M. The funding allocated is shown below:

Portfolio	Service Activity	£000's
Children's Services	Safeguarding Children	2,249.3
Adult Social Care & Health	Adult Disability	550.0
Adult Social Care & Health	Learning Disability	1,775.0
Corporate	Net Pay Award Adjustment	(2,000.0)
Funding Allocated From the Risk Fund		2,574.3

8. **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 revenue developments be placed into a Revenue Development Fund to enable the Council to retain flexibility in funding. Further, it was agreed that approval to release this funding, making adjustments between schemes and in the timing as required, be delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning.

The Revenue Development Fund, which previously stood at £4.9M, now totals £3.6M following a further allocation of £1.3M. The funding allocated is shown below:

Portfolio	Service Activity	£000's
Children's Services	Safeguarding Children	1,227.7
Environment & Transport	Highways Improvements	110.0
Funding Allocated From the Revenue Development Fund		1,327.7

At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised, with the exception of £450,000. This was earmarked for the Building Schools for the Future Programme which has been halted by the Government.

9. **Contingency**

The contingency was originally set at £250,000 and it is anticipated that this will be fully utilised by the end of the year. To date £150,000 has been approved to fund the procurement exercise to identify a management partner for the Sea City Museum, with the option of including other heritage venues.

10. **Approved Carry Forward Requests**

Currently there is a forecast under spend of £150,000 on Central Repairs and Maintenance. Full Council has agreed to automatically carry forward any surplus/deficit at year-end subject to the overall financial position of the Authority.

Furthermore, Cabinet has approved the delegation of authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning 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.

11. Potential Carry Forward Requests

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

12. Forecast Employee Expenditure

Included within the baseline forecast portfolio over spend of £4,302,200, is a forecast under spend on employees of £299,800. The position by portfolio is as follows:

Portfolio - Employee Costs	Variance to Sept £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Adult Social Care & Health	454.9 F	821.4 F	3.6 F
Children's Services	506.1 A	653.4 A	1.8 A
Environment & Transport	89.9 A	7.8 A	0.0 a
Housing Portfolio	94.3 F	146.8 F	5.1 F
Leader's Portfolio	250.8 F	146.8 F	1.8 F
Leisure Culture & Heritage	126.4 F	60.2 F	0.6 F
Local Services & Community Safety	88.5 A	84.0 A	1.0 A
Resources & Workforce Planning	105.1 A	130.2 A	1.0 A
Total General Fund	136.8 F	299.8 F	0.3 F

13. Key Portfolio Issues

The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.

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 9.

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	1,174.2	App 2 – ASCH 1
Adult Social Care & Health	Learning Disabilities	82.1	App 2 - ASCH 2
Children's Services	Tier 4 Services	454.9	App 3 – CSL 1
Children's Services	Tier 3 Services	1,137.9	App 3 – CSL 2
Environment & Transport	Off Street Parking	1,555.5	App 4 – E&T 1
Environment & Transport	Bereavement Services	679.7	App 4 – E&T 2
Environment & Transport	Development Control	407.5	App 4 – E&T 3
Environment & Transport	Public Transport – Bus Shelters	330.0	App 4 – E&T 4

Corporate Favourable Variances

Portfolio	Corporate Issue	Favourable Forecast £000's	See Appendix & Reference
Adult Social Care & Health	Complex Care	393.6	App 2 – ASCH 3
Adult Social Care & Health	In House Care Services	199.0	App 2 – ASCH 4
Environment & Transport	Waste Disposal	512.8	App 4 – E&T 5

14 Implementation of Savings Proposals

Savings proposals of £8.1M were approved by Council in February 2010 as part of the overall budget package for 2010/11. 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 second quarter:

Portfolio	Implemented and Saving Achieved	Not Yet Fully Implemented and Achieved But Broadly on Track	Not on Track to be Implemented
	%	%	%
Adult Social Care & Health	69.3%	0.0%	30.7%
Children's Services	89.9%	10.1%	0.0%
Environment & Transport	82.2%	11.5%	6.3%
Housing	63.4%	6.9%	29.7%
Leader's Portfolio	85.9%	14.1%	0.0%
Leisure Culture & Heritage	69.2%	29.3%	1.5%
Local Services & Community Safety	47.9%	32.9%	19.2%
Resources & Workforce Planning	100.0%	0.0%	0.0%
Total General Fund	78.7%	10.4%	10.9%

The overall shortfall in the delivery of the savings proposals is currently forecast as £855,000 or 10.6% as for some of the proposals, whilst the saving may not be on track to be fully implemented, progress has been made towards delivery of the financial outcomes.

The progress made in implementing and delivering the savings proposals has been reviewed by the Chief Officers Management Team and Appendix 10 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 2011/12 and future years will be addressed

15. **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 11 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.

16. Quarterly Treasury Management Report

The Council approved a number of indicators at its meeting of the 17th February 2010 and Appendix 12 outlines current performance against these indicators in more detail. One of these relates to the ratio of financing costs to the net revenue stream and this is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The estimate approved by Council for 2010/11 was 5.55% and at the end of Quarter 1 the actual figure stood at 6.11%. Authority was delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. A review of this ratio has been undertaken and it has been amended to 10.0%. This amendment will be included in the next revision to the Treasury Management Strategy.

17. Housing Revenue Account

The expenditure budget for the HRA is £60.6M, which includes additional balance bought forward of £388,900. The income budget is £60.2M resulting in a working balance of £1.2M. The overall forecast position for the year end shows an adverse variance of £1,300 (0.0%) which leaves the working balance materially unchanged at £1.2M

The corporate variances are shown below, with the detail set out in Appendix 13:

	Forecast Outturn Variance £000's	See Appendix & Reference
Supervision & Management - Housing Management	121.5 A	App 13 – HRA 1
Contingency	258.2 F	App 13 – HRA 2
Dwelling Rents	154.2 A	App 13 – HRA 3

FINANCIAL/RESOURCE IMPLICATIONS

Capital

18. None.

Revenue

19. Contained in the report.

Property

20. Not applicable.

Other

21. Not applicable.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

23. Not applicable.

POLICY FRAMEWORK IMPLICATIONS

24. Not applicable.

SUPPORTING DOCUMENTATION

Appendices

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

Documents In Members' Rooms

1.	None
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Background Documents

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 2010/11 to 2012/13 (Approved by Council on 17 th February 2010)	
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Background documents available for inspection at: Online

KEY DECISION? N/A WARDS/COMMUNITIES AFFECTED: N/A