

DECISION-MAKER:	CABINET		
SUBJECT:	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2022		
DATE OF DECISION:	21 FEBRUARY 2023		
REPORT OF:	CABINET MEMBER FOR FINANCE & CHANGE		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
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STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of December 2022 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2022/23 to 2026/27.</p> <p>The General Revenue Fund deficit for the year as outlined in this report is £10.34M as at 31 December 2022 after taking account of £4.70M agreed in-year savings, with the most significant deficit being for the Children & Learning portfolio (£11.02M). Mitigation plans to reduce the forecast deficit are being progressed, however will not reduce the deficit in full. Failing any further improvement in the financial position the deficit will need to be met from corporate reserves and would therefore impact on the council's future financial resilience and the resources available to help address future years' budget shortfalls and transformation costs, as noted in the 2023/24 Budget, Medium Term Financial Strategy and Capital Programme report elsewhere on this agenda.</p>

RECOMMENDATIONS:

	<u>General Revenue Fund</u>	
	Cabinet is recommended to:	
	i)	Note the forecast outturn position is a £10.34M deficit, after taking account of £4.70M agreed in-year savings, as outlined in paragraph 4 and in paragraph 1 of appendix 1.
	ii)	Note that failing any further improvement in the 2022/23 financial position the £10.34M deficit will need to be met from the Medium Term Financial Risk Reserve, as set out in paragraph 4 and in paragraph 3 of appendix 1.
	iii)	Note the performance of treasury management, and financial outlook in

	paragraphs 5 to 8 of appendix 1.
iv)	Note the forecast year end position for reserves and balances as detailed in paragraphs 9 and 10 of appendix 1.
v)	Note the Key Financial Risk Register as detailed in paragraph 11 of appendix 1.
vi)	Note the performance against the financial health indicators detailed in paragraphs 15 and 16 of appendix 1.
vii)	Note the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 19 to 22 of appendix 1.
<u>Housing Revenue Account</u>	
Cabinet is recommended to:	
viii)	Note the forecast outturn position is a nil variance against budget as outlined in paragraph 5 and paragraph 17 of appendix 1.
<u>Capital Programme</u>	
Cabinet is recommended to:	
ix)	Note the revised General Fund Capital Programme, which totals £356.25M as detailed in paragraph 1 of appendix 2.
x)	Note the HRA Capital Programme is £267.12M as detailed in paragraph 1 of appendix 2.
xi)	Note that the overall forecast position for 2022/23 at quarter 3 is £144.78M, resulting in a potential surplus of £2.43M, as detailed in paragraphs 5 and 6 of appendix 2.
xii)	Note that the capital programme remains fully funded up to 2026/27 based on the latest forecast of available resources although the forecast can be subject to change; most notably regarding the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
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)	
<u>Revenue</u>	
3.	The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of December 2022 and key issues are summarised in appendix 1.
4.	The current forecast spending against the council's net General Fund revenue budget for the year of £193.15M is projected to be a £10.34M deficit, after taking account of £4.70M agreed in-year savings, a deterioration of £0.75M from the position forecast at the end of September 2022. This is a significant adverse variance which has on-going consequences for the Council's financial sustainability. The most significant deficit is

	for Children & Learning (£11.02M) and Health, Adults & Leisure has a forecast deficit of £4.54M (after a £1.91M contribution from reserves). Mitigation plans to reduce the forecast deficit are being progressed, however this will not reduce the deficit in full. Failing any further improvement in the financial position the £10.34M will need to be met from the Medium Term Financial Risk Reserve, which would therefore impact on the council's future financial resilience and the resources available to help address future years' budget shortfalls or deliver transformation. The overspend is substantial and when coupled with the expectation of future stress on the budget extending into 2023/24, it represents a major risk to the future financial stability of the authority. The council has been operating under Essential Spend only rules since August 2022 to counteract the overspend and the financial risks of spending to such an extent over budget and the impact it has on reserves.
5.	The forecast position for the HRA is a nil variance against the budgeted deficit of £0.92M, with a forecast surplus of £1.11M against an expenditure budget of £77.33M offset by a forecast deficit of £1.11M against an income budget of £76.41M. This is no overall change from the position forecast at the end of September 2022.
	<u>Capital</u>
6.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2022/23 to 2026/27, highlighting the changes in the programme since the last reported position in November 2022. The report also notes the major forecast variances against the approved estimates.
7.	Due to the current financial environment, there has been a need to review the programme, against the backdrop of rising inflation which is significantly increasing construction costs and rising interest rates which has seen the cost of borrowing more than double since the budgets were set in February 2022. This review has resulted in £17.66M of net slippage/rephasing (£11.61M General Fund and £6.05M HRA) from 2022/23 into later years, as detailed in paragraphs 5 and 6 of appendix 2.
8.	The current forecast position for 2022/23 at quarter 3 is £144.78M, resulting in a potential surplus of £2.43M, as detailed in paragraphs 5 and 6 of appendix 2.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9.	The revenue and capital implications are contained in the report.
<u>Property/Other</u>	
10.	There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
11.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<u>Other Legal Implications:</u>	
12.	None.
RISK MANAGEMENT IMPLICATIONS	

13.	See comments within report.
POLICY FRAMEWORK IMPLICATIONS	
14.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring

Documents In Members' Rooms

1.	None
2.	

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)
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1.	The Revenue Budget 2022/23, Medium Term Financial Strategy and Capital Programme (Council 23 February 2022)	
2.		