

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	FINANCIAL POSITION UPDATE		
<b>DATE OF DECISION:</b>	7 JANUARY 2025		
<b>REPORT OF:</b>	COUNCILLOR LETTS DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title:</b>	Executive Director Enabling Services and S151 Officer	
	<b>Name:</b>	Mel Creighton	<b>Tel:</b> 023 8083 3528
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a>	
<b>Author:</b>	<b>Title:</b>	Director of Finance	
	<b>Name:</b>	Richard Williams	<b>Tel:</b> 023 8083 2936
	<b>E-mail:</b>	<a href="mailto:Richard.Williams@southampton.gov.uk">Richard.Williams@southampton.gov.uk</a>	

<b>STATEMENT OF CONFIDENTIALITY</b>
Not Applicable
<b>BRIEF SUMMARY</b>
<p>This report provides a summary of the financial position of the council for 2024/25 as at the end of November 2024 (month 8).</p> <p>The General Fund revenue position as at the end of November 2024 is a £16.12M favourable variance, with the detail set out in Appendix 1. This is a further positive movement of £1.87M compared to the position at month 7 (£14.25M underspend forecast).</p> <p>Details for capital financial monitoring as at the end of September 2024 and a summary of the key issues arising from the 2025/26 provisional local government finance settlement are also included in this report.</p>

**RECOMMENDATIONS:**

	Cabinet is recommended to:	
i)	Agree the £0.17M adjustments to be made to directorate budgets to reflect sustained favourable variances reported at month 8 of 2024/25 due to transformation and other measures, to be transferred to centrally held contingency to reduce the reliance on Exceptional Financial Support (EFS), as set out in paragraph 6.	
ii)	Agree to the creation of a new housing stock condition survey reserve and a contribution from centrally held contingency of £0.25M in 2024/25 as set out in paragraph 8.	
iii)	Note the revised General Fund Capital Programme is £206.99M and the HRA Capital Programme is £240.53M as detailed in paragraph 4 of Appendix 2.	

	iv)	Approve slippage of £17.80M, £15.04M within the General Fund programme and £2.76M within the HRA programme, as detailed in paragraphs 5 to 7 of Appendix 2 and Annex 2.3.
	v)	Note that the overall forecast position for the capital programme for 2024/25 at quarter 2 is £154.98M, resulting in a potential overspend of £0.31M, as detailed in paragraphs 8 to 10 of Appendix 2 and Annex 2.2.
	vi)	Note that the capital programme remains fully funded up to 2028/29 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)**

#### **Latest Financial Position**

- |    |  |
|----|--|
| 3. | <p>The forecast financial position of the council as at the end of November 2024 (month 8) is set out at Appendix 1. Table 1 summarises the General Revenue Fund Forecast. £1.85M of sustainable savings have been taken centrally in month 8, resulting in adverse movements for Community Wellbeing and Growth &amp; Prosperity.</p> <p>The working budgets for Children &amp; Learning and Community Wellbeing have been reduced by the virement of £24.30M Social Care Grant income budget from Centrally Held Funding. This is to reflect a change in the grant conditions from an un-ringfenced grant to a grant that is ring-fenced to social care. The virement of the income budget has no impact on service provision it is only a change to the accounting treatment.</p> |
|----|--|

4.

**Table 1 – General Revenue Fund Forecast 2024/25**

	<b>Working Budget Month 8 £M</b>	<b>Forecast Outturn Month 8 £M</b>	<b>Forecast Variance Month 8 £M</b>	<b>Movement Month 7 to Month 8 £M</b>
Children & Learning	51.08	49.30	(1.78) F	(0.19) F
Community Wellbeing	79.18	77.29	(1.89) F	0.02 A
Enabling Services	26.13	25.01	(1.11) F	(0.67) F
Growth & Prosperity	36.02	34.77	(1.25) F	0.16 A
Resident Services	25.98	26.44	0.46 A	0.67 A
Strategy & Performance	5.71	5.35	(0.36) F	0.00
<b>Total Directorates</b>	<b>224.09</b>	<b>218.16</b>	<b>(5.93) F</b>	<b>(0.02) F</b>
Centrally Held Budgets	30.20	20.06	(10.14) F	(1.85) F
<b>Net Council Expenditure before EFS</b>	<b>254.29</b>	<b>238.22</b>	<b>(16.07) F</b>	<b>(1.87) F</b>
Centrally Held Funding	(215.02)	(215.07)	(0.05) F	0.00
<b>Net Over/(Underspend) before EFS</b>	<b>39.28</b>	<b>23.15</b>	<b>(16.12) F</b>	<b>(1.87) F</b>
Exceptional Financial Support (EFS)	(39.28)	(23.15)		
<b>Net Over/(Underspend)</b>	<b>0.00</b>	<b>0.00</b>		

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

5.

Sustained favourable variances are being achieved by directorates through demand management transformation activity and other measures. As at the end of November 2024 £10.14M of sustained favourable variances have been transferred to centrally held contingency in accordance with the Business Planning & Budgeting Framework. Agreement is sought to transfer a further £0.17M of budgets. Table 2 summarises the proposed budget adjustments.

6. **Table 2 – Proposed Budget Adjustments**

	<b>Budget Adjustment £M</b>
<u>Enabling Services</u>	
Contracting & Procurement – over achievement of target operating model saving in year	(0.08)
<u>Strategy &amp; Performance</u>	
Transformation savings – advertising income	(0.05)
Communications – additional income	(0.04)
<b>Total Directorates</b>	<b>(0.17)</b>
<u>Centrally Held Contingency</u>	
Budget transferred for sustained favourable variances	0.17
<b>Net Adjustment</b>	<b>0.00</b>

Numbers are rounded

7. Where overspends are forecast, service areas are required to develop Deficit Recovery Plans to bring budgets back into projected balance. Plans are required to address adverse variances for City Services and Waste.

8. The Medium Term Financial Strategy agreed in March 2024 included £0.25M in 2025/26 to carry out a housing stock condition survey. It is proposed to create a new housing stock condition survey reserve and make a £0.25M contribution from centrally held contingency this year, so that in total £0.50M is available in 2025/26 to carry out the work.

**Capital Financial Monitoring as at the end of September 2024**

9. Appendix 2 summarises the General Fund and Housing Revenue Account (HRA) capital programme for the period 2024/25 to 2028/29 as at the end of September 2024 and highlights major changes since the last reported position. The forecast overspend position for 2024/25 was £0.31M, after accounting for £17.80M slippage.

**Provisional Local Government Finance Settlement 2025/26**

10. On 18 December 2024 the government announced the provisional local government finance settlement for 2025/26.

11. The main headlines from the provisional settlement are:

- Core Spending Power will increase by 6.0% in 2025/26, an increase of £3.9Bn compared with 2024/25.
- Core Council Tax referendum limit of up to 3%, plus a 2% ASC Precept for social care authorities.
- Over £700M more grant funding has been announced in the provisional settlement compared with the Autumn Budget, although this includes £515M compensation for the increase in employer’s national insurance contributions.
- A new £600M targeted Recovery Grant has been allocated using a formula that

	<p>focusses resources on authorities that have high levels of deprivation and relatively low ability to generate council tax income.</p> <ul style="list-style-type: none"> <li>• Social Care Grant will increase by £880M, £280M more than was announced in the Autumn Budget.</li> <li>• A new £250M Children’s Social Care Prevention Grant has been distributed using an interim children’s relative needs-based formula. The grant will be uplifted to £263M in the final settlement.</li> <li>• Improved Better Care Fund and ASC Discharge Fund grant allocations remain the same as for 2024/25, however they have now been combined to form the Local Authority Better Care Fund totalling £2.64Bn. The Market Sustainability and Improvement Fund is the same as for 2024/25 (£1.05Bn).</li> <li>• Revenue Support Grant has increased in line with the September 2024 Consumer Price Index (1.7%) and several small grants have been rolled in based on existing allocations. The business rates Baseline Funding Level has been uplifted by the increase in the standard business rates multiplier (1.67%).</li> <li>• Services Grant (£87M in 2024/25) and Rural Services Delivery Grant (£110M in 2024/25) have been removed and the funding repurposed into the new Recovery Grant.</li> <li>• Domestic Abuse Safe Accommodation Grant (£160M) is now included within core spending power and previous years comparatives adjusted.</li> <li>• New Homes Bonus (£290M) continues for one more year, with no legacy payments.</li> <li>• £100M will be distributed from the business rates levy account, allocations to be confirmed in the final settlement.</li> <li>• £515M of funding will be provided for the increase in employer national insurance contributions for direct employees, to be distributed on the basis of 2023/24 Net Current Expenditure. Allocations to be confirmed in the final settlement.</li> <li>• A consultation has been published alongside the provisional settlement on the objectives and principles of local authority funding reform, with changes to be implemented from 2026/27.</li> </ul>
--	--

12.	The impact of the provisional settlement on the council’s Medium Term Financial Strategy is currently being assessed.
-----	---

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

13.	The revenue and capital implications are contained in the report.
-----	---

14.	There is a revenue cost of providing the capital programme, through the interest cost of borrowing and the minimum revenue provision (MRP). MRP is the calculated annual charge to the revenue account of provision to repay debt incurred in respect of capital expenditure financed by borrowing or other long term credit arrangements (such as PFI) over a period that is commensurate with that over which the capital expenditure provides benefits. The cost of the current capital programme is included in the Medium Term Financial Strategy and is monitored and reported as part of the revenue financial monitoring.
-----	---

15.	A key indicator is the ratio of Capital Financing to the Net Revenue Budget of the council. Following the highly publicised over borrowing of some local authorities it is expected that CIPFA and central government will propose a strengthening to prudential
-----	--

	limits by including upper limits on the level of borrowing. The council has introduced a ceiling for the above indicator, prior to any change to the Prudential Code, and set the General Fund at a maximum of 15% of Net Revenue Budget. It also needs to be in keeping with approach adopted of 'purposeful investment' i.e. does the investment reduce revenue expenditure/increase income: does it offset a future financial pressure: does it have a significant impact on the lives of residents?
<b><u>Property/Other</u></b>	
16.	There are no specific property implications arising from this report other than the schemes referred to within Appendix 2.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
17.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the council.
<b><u>Other Legal Implications:</u></b>	
18.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
19.	Risk management implications are contained in the report.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
20.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
------------------------------------	-----

### **SUPPORTING DOCUMENTATION**

#### **Appendices**

1.	Financial position update report month 8 2024/25
2.	Capital financial monitoring for the period to the end of September 2024

#### **Documents In Members' Rooms**

1.	
2.	

#### **Equality Impact Assessment**

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

#### **Privacy Impact Assessment**

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
--	----

**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.	The 2024/25 Budget and Medium Term Financial Strategy (Council 6 March 2024)	
2.	The General Fund Capital Programme 2023/24 to 2028/29 (Council 6 March 2024)	