

DECISION-MAKER:	CABINET		
SUBJECT:	CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2013		
DATE OF DECISION:	20 AUGUST 2013		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Alison Chard	Tel: 023 8083 4897
	E-mail:	Alison.Chard@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark.Heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
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 June 2013, 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 2013/14 as at Month 3 (June), which is a forecast under spend at year end of **£151,300** against the budget approved by Council on 13 February 2013, as outlined in paragraph 4.
- ii) Note that the baseline forecast over spend for portfolios is just under £7.1M.
- 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 includes £5.7M to cover service related risks, (following the allocation of £94,400 to portfolios), and that the estimated draw at Month 3 is £4.9M to cover expenditure which is included within the baseline forecast portfolio over spend of £7.1M. The portfolio position after the draw from the Risk Fund is an over spend of £2.2M.
- v) Note that £219,000 has been allocated from the contingency to reflect changes to the non residential care (NRC) contributions policy for adult social care as approved by Cabinet on 23 April 2013.

- vi) Note that £128,800 has been allocated from the contingency as approved by Cabinet on 18 June 2013 in order to provide the additional resources that it is forecast will enable the implementation of the recommendations from the Scrutiny Panel A Welfare Reforms Inquiry in full.
- vii) Note that it has been assumed that the remaining contingency, which stands at £110,700, will be fully utilised by the end of 2013/14.
- viii) Note the revised minimum balance of £5.5M, as approved by Council on 13 February 2013, as recommended by the Chief Financial Officer in line with good practice guidance.
- ix) Note the forecast level of balances which will not fall below the revised minimum level of £5.5M in the medium term based on the current forecast.
- x) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2013/14 as detailed in Appendix 10.
- xi) Note the performance against the financial health indicators detailed in Appendix 11.
- xii) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 12.

Housing Revenue Account

It is recommended that Cabinet:

- xiii) Note the current HRA budget monitoring position for 2013/14, as at Month 3 (June). There is a forecast over spend at year end of **£289,600** against the budget approved by Council on 13 February 2013, as outlined in paragraph 37.

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 **£151,300**, as shown below:

	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Baseline Portfolio Total	7,082.6 A	3.8
Draw From Risk Fund	4,895.5 F	
Portfolio Total	2,187.1 A	1.1
Capital Asset Management	800.0 F	
Non-specific Government Grants	1,538.4 F	
Net Total General Fund	151.3 F	0.2

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 £2.2M and this is analysed below:

Portfolio	Baseline Forecast Outturn Variance £000's	Risk Fund Items £000's	Forecast Outturn Variance		See Appendix
			£000's	%	
Change & Communities	132.3 A	171.0 F	38.7 F	1.0	2
Children's Services	4,608.7 A	2,800.0 F	1,808.7 A	5.1	3
Economic Dev & Leisure	130.9 A	115.0 F	15.9 A	0.3	4
Environment & Transport	400.4 A	43.0 F	357.4 A	1.3	5
Health & Adult Services	2,111.4 A	1,630.0 F	481.4 A	0.7	6
Housing & Sustainability	191.2 A	136.5 F	54.7 A	3.1	7
Leader's	45.0 F	0.0	45.0 F	1.1	8
Resources	447.3 F	0.0	447.3 F	1.1	9
Portfolio Total	7,082.6 A	4,895.5 F	2,187.1 A	1.1	

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

Remedial Action

7. Portfolios plan 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.

Capital Asset Management

8. The favourable variance of £800,000 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. Net interest payable is lower than anticipated as a consequence of lower forecast borrowing levels and the fact that when we do borrow it will in all likelihood be at lower rates than originally estimated. Previously lower rates have been achieved through a conscious decision to continue to utilise short term variable rate debt that remains available at lower rates than long term fixed rate debt due to the depressed market. The prediction based on all of the economic data available is that interest rates will remain lower for a sustained period of time and that this situation will therefore continue throughout 2013/14 and beyond.
10. Investment income for the year is currently forecast to be £0.3M higher than originally estimated. Fixed term deposits to date have achieved an average return of 0.82%, which exceeds the performance indicator of the average 7-day LIBID rate (0.45%), mainly due to the rolling programme of yearly investments restarted in November 2012 following advice from our Treasury Advisor.

Non-Specific Government Grants

11. Additional non-specific Government grant income is anticipated resulting in a forecast favourable variance of £1,538,400. There are three main elements that contribute to this variance:
12. Firstly, the Government has reviewed the deductions made from local authority formula grant allocations for 2012/13 in respect of the funding top sliced for Academies, in order to attempt to better reflect the pattern of Academy provision across the country. As a consequence of this review, a “refund” has been paid to the Council as the amount top sliced from formula grant has been assessed as being bigger than it would have been had the deduction been based on the number of Academies during 2012/13. This “refund” has been calculated by the Department for Education as £391,400 and was received in June.
13. Secondly, the Youth Justice Board has transferred responsibility to fund the costs of remand to Local Authorities from 1 April 2013 and grant income has been received totalling £137,800 to contribute towards these costs.
14. Finally, the Education Services Grant (ESG – formerly known as Local Authority Central Spend Equivalent Grant - LACSEG) is from 2013/14 allocated between the Council and Academies based largely on pupil numbers and is reviewed on a quarterly basis. This introduces an additional element of volatility and risk as schools transfer to Academy status and this will be exacerbated if the Council is not able to reduce its costs in line with reductions in funding. As a consequence, when setting the budget for 2013/14 an extremely prudent view was taken. At this stage we are forecasting additional net income of £1.0M in the light of experience to date and the known scale of Academy transfers now planned for the year.

15. In addition to this there have been a small number of grant notifications which have differed slightly from the initial assumed level of funding.

Risk Fund

16. Potential pressures that may arise during 2013/14 relating to volatile areas of both expenditure and income are being managed through the Risk Fund. A sum of £5.8M 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.
17. The Risk Fund, which previously stood at £5.8 M, now totals £5.7M following the allocation of £94,400 to cover the loss of income from the closure of Lime Street Car Park. The funding allocated is shown below:

Portfolio	Service Activity	£000's
Environment & Transport	Income – Off Street Car Parking	94.4
Funding Allocated From the Risk Fund		94.4

18. At Month 3, it is estimated that pressures within Portfolios will require the allocation of £4.9M from the Risk Fund, as shown in the table below, leaving a balance of £0.8M:

Portfolio	Service Activity	£000's
Change & Community	Youth Remand	171.0
Children's Services	Tier 4 Services	2,200.0
Children's Services	Safeguarding Mgt & Legal Services	200.0
Children's Services	Child Protection Tier 3 Social Work	400.0
Economic Dev & Leisure	Sport & Rec. Energy	115.0
Environment & Transport	Waste Disposal Contract	43.0
Health & Adult Services	Adult Disability Care Services	630.0
Health & Adult Services	Learning Disability	1,000.0
Housing & Sustainability	Sustainability – CRC Purchases	136.5
Portfolio Draw From Risk Fund		4,895.5

19. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2013/14 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of the development of the budget for 2014/15 to ensure that a sufficient allocation is included for such pressures in the future.

Contingency

20. The contingency originally totalled £458,500 and of this £347,800 has been allocated in Quarter 1 as shown below:
- Non Residential Care (NRC) Contributions Policy (£219,000) – Allocated from the contingency to fund the impact of changes to the NRC contributions policy for adult social care as approved by Cabinet on 23 April 2013.
 - Welfare Advice (£128,800) – Allocated from the contingency in order to provide the additional resources that it is forecast will enable the implementation of the recommendations from the Scrutiny Panel A Welfare Reforms Inquiry in full as approved by Cabinet on 18 June 2013
21. Any implications for future years from these issues will be reviewed as part of the development of the budget for 2014/15.
22. It has been assumed that the remainder of contingency (£110,700) will be fully utilised by the end of 2013/14.

Approved Carry Forward Requests

23. 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, 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

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

Key Portfolio Issues

25. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.
26. 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.

27. 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
Children's Services	Tier 4 Safeguarding	2,830.8	3 – CS 1
Children's Services	Safeguarding Mgt & Legal	485.1	3 – CS 2
Children's Services	Child Protection Tier 3 Social Work	913.1	3 – CS 3
Children's Services	Commissioning, Policy & Performance	274.4	3 – CS 4
Environment & Transport	Off Street Car Parking	674.0	5 – E&T 1
Health & Adult Services	Learning Disability	1,256.7	6 – HAS 1
Health & Adult Services	Complex Care	268.1	6 – HAS 2
Health & Adult Services	Adult Disability Care Services	630.0	6 – HAS 3

Corporate Favourable Variances

Portfolio	Corporate Issue	Favourable Forecast £000's	See Appendix & Reference
Resources	Resources Contract Mgt	300.6	9 – RES 1

General Fund Balances

28. It is important for Cabinet to consider the position on balances. The table below shows the latest predicted position after taking into account the outturn for 2012/13, the update of the capital programme and the published budget approved by Council on 13 February and the forecast position for 2013/14 as outlined in this monitoring report.

	2013/14	2014/15	2015/16	Future Years
	£000's	£000's	£000's	£000's
Opening Balance	29,923.5	14,658.4	14,958.9	13,566.8
Draw to Support Capital	(522.6)	0.0	0.0	0.0
(Draw to Support) / Contribution from Revenue	1,026.5	4,384.4	2,782.0	1,687.4
Contributions (to) / from Other Reserves	(1,400.0)	0.0	0.0	0.0
Draw for Strategic Schemes	(14,369.0)	(4,083.9)	(4,174.1)	(4,627.2)
Closing Balance	13,658.4	13,958.9	13,566.8	10,627.0

29. The minimum level of balances is currently set at £5.5M and the above prediction indicates that this will be maintained in the medium term. As a consequence in excess of £5.1M is currently available within balances and this can be used to fund future initiatives or contribute to the revenue budget in future years..

Implementation of Savings Proposals

30. Savings proposals of £16.5M were approved by Council in February 2013 as part of the overall budget package for 2013/14. 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 10 contains further details:

	%
Implemented and Saving Achieved	77.8
Not Yet Fully Implemented and Achieved But Broadly on Track	18.8
Saving Not on Track to be Achieved	3.4
	100.0

31. 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.
32. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £531,000 or 3% of the total to be delivered. The breakdown of the financial consequences is shown by Portfolio in Appendix 10.

33. In addition to the portfolio details shown in Appendix 10 a corporate saving of £105,000 was also approved from the deletion of a Director's post which has been achieved.
34. 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 2014/15 and future years will be addressed as part of the development of the budget.

Financial Health Indicators

35. 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.

Quarterly Treasury Management Report

36. The Council approved a number of indicators at its meeting of the 13 February 2013 and Appendix 12 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.

Housing Revenue Account

37. The expenditure budget for the HRA was set at £71.25M and the income budget at £71.25M, resulting in no net draw from balances. The forecast position for the year end on income and expenditure items shows an adverse variance of £289,600 compared to this budget.
38. There are no corporate variances to report but the detail is set out in Appendix 13.

RESOURCE IMPLICATIONS

Capital/Revenue

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

Property/Other

40. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

42. None.

POLICY FRAMEWORK IMPLICATIONS

43. None.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
-----------------------------	-----

SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Summary
2.	Change & Communities Portfolio
3.	Children's Services Portfolio
4.	Economic Development & Leisure Portfolio
5.	Environment & Transport Portfolio
6.	Health & Adult Services Portfolio
7.	Housing & Sustainability
8.	Leader's Portfolio
9.	Resources 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
----	------

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) 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.	General Fund Revenue Budget Report 2013/14 to 2015/16 (Approved by Council on 13 February 2013)	
----	---	--