

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JULY 2020 AND COVID-19 BUDGET MATTERS		
DATE OF DECISION:	15 SEPTEMBER 2020 16 SEPTEMBER 2020		
REPORT OF:	CABINET MEMBER FOR FINANCE & INCOME GENERATION		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
N/A
BRIEF SUMMARY
<p>This report is a combined financial monitoring report for revenue and capital.</p> <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 July 2020, and informs Cabinet and Council of any major changes in the overall General Fund and HRA capital programme for the period 2020/21 to 2024/25. It also reports on the financial position with COVID-19 and the budget pressures it has created and how these will be addressed at Appendix 3.</p> <p>The Chief Financial Officer has a duty to comment and advise on the robustness of estimates and the adequacy of reserves when setting a budget, normally considered in the light of risks faced and the need for financial resilience. The budget, when agreed in February 2020, included sums to guard against both known risks, such as budget pressures in social care, and unknown risks, to ensure as far as possible the council operated under a resilient financial framework. The report seeks to address the budget pressures as set out by utilising contingency sums and reserves, although such sums cannot provide a longer term solution.</p> <p>For some information that is normally only available quarterly the report reflects the position for the first quarter of 2020/21, and this is indicated where relevant.</p>

RECOMMENDATIONS:

	<u>General Revenue Fund</u>	
	It is recommended that Cabinet:	
	i)	Note the forecast outturn position for business as usual activities is a £1.46M overspend, as outlined in paragraph 4 below and also in paragraph 1 and table 1 of Appendix 1.
	ii)	Note the performance of treasury management, and financial outlook in paragraphs 13 to 17 of Appendix 1.
	iii)	Note the Key Financial Risk Register as detailed in paragraph 20 of Appendix 1.
	iv)	Note the performance against the financial health indicators detailed in paragraphs 24 and 25 of Appendix 1.
	v)	Note the performance outlined in the Collection Fund Statement detailed in paragraphs 29 to 34 of Appendix 1.
	vi)	Notes the allocated £4.16M from the Social Care Demand Risk reserve to address the overspend forecast in Children & Learning as set out in paragraph 3 of Appendix 1.
	vii)	Notes the financial position arising from COVID-19, as outlined in paragraphs 4 to 11 of Appendix 1, with further details at paragraphs 3 to 7 of Appendix 3 and annexe 3.1, with a shortfall of £28.8M resulting as forecast at period 4 (end of July 2020). This is in addition to the 'business as usual' adverse variance reported in Appendix 1 as at the end of period 4 (July 2020) of £1.46M.
	viii)	Notes and supports addressing the budget shortfall as outlined in paragraphs 8 to 16 and table 1 of Appendix 3. This means using £9.6M of corporate budgets, a £2.7M underspend at period 4, after applying £4.16M from the Social Care demand reserve to eliminate the Children & Learning overspend and £1.5M of in-year savings. This will go forward for approval at full Council.
	ix)	Notes that without further funding from Government for COVID-19 costs incurred, a further £10.9M is estimated as at risk as per paragraph 10 of Appendix 3.
	x)	Notes that work is on-going, following the release of the final draft on 24 August of the Government scheme on income compensation, to confirm the likely compensation due to Southampton City Council initially estimated at £4.1M. Until this amount can be confirmed, this sum as also 'at risk' and a lesser figure could mean an increase in the shortfall faced.
	<u>Housing Revenue Account</u>	
	It is recommended that Cabinet:	
	xi)	Note the forecast outturn position on business as usual activities is an under spend of £0.54M as outlined in paragraph 5 below and also paragraphs 26 and 27 of Appendix 1.
	<u>Capital Programme</u>	

	It is recommended that Cabinet:	
	xii)	Notes the revised General Fund Capital Programme, which totals £654.95M as detailed in Appendix 2 paragraph 1, table 1 and Annexe 2.5, and the associated use of resources.
	xiii)	Notes the revised HRA Capital Programme, which totals £210.98M as detailed in Appendix 2 paragraph 1, table 1 and Annexe 2.5 and the associated use of resources.
	xiv)	Notes that the overall forecast position for 2020/21 as at July 2020 is £194.15M, resulting in a potential underspend of £21.46M, as detailed in Appendix 2 paragraph 5 and table 3.
	xv)	Notes that the capital programme remains fully funded up to 2024/25 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received.
	xvi)	Notes that £17.60M has been removed from the programme with relevant approvals. These changes are detailed in annexe 2.1 to Appendix 2.
	xvii)	Approves slippage and rephasing as detailed in paragraph 2 & 3 of Appendix 2. Noting that the movement has zero net movement over the 5 year programme.
	xviii)	Notes that a review has taken place of the capital programme in the light of COVID-19.
	xix)	Notes and supports the delays to capital scheme works and the application of new funds other than borrowing to support the capital programme as outlined in paragraphs 19 to 20 of Appendix 3 and annexe 3.2, which will then go forward for approval at full Council.
	xx)	Notes and supports the proposed revised General Fund capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
	xxi)	Notes and supports the proposed revised HRA capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
	<u>General Revenue Fund</u>	
	It is recommended that Council:	
	i)	Note the forecast outturn position as outlined in this report, including for business as usual and COVID-19 costs.
	ii)	Approves addressing the budget shortfall as outlined in paragraphs 8 to 16 and table 1 of Appendix 3. This means using £9.6M of corporate budgets, a £2.7M underspend at period 4, after applying £4.16M from the Social Care demand reserve to eliminate the Children & Learning overspend and £1.5M of in-year savings.
	<u>Capital Programme</u>	
	It is recommended that Council:	
	iii)	Notes the revised General Fund and HRA capital programme as outlined in this report.
	iv)	Approves the delays to capital scheme works and the application of new funds other than borrowing to support the capital programme as outlined in paragraphs

	19 to 20 of Appendix 3 and annexe 3.2.
v)	Approves the proposed revised General Fund capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.
vi)	Approves the proposed revised HRA capital programme to 2024/25 and its financing as shown in annex 2.5 of Appendix 2.

REASONS FOR REPORT RECOMMENDATIONS

1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	Not Applicable.
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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 July 2020 and key issues are summarised in Appendix 1.
4.	The current forecast spending on business as usual activities against the council's net General Fund revenue budget for the year of £190.82M is projected to be a £1.46M overspend. This would move to a £2.70M underspend if the Social Care Demand Risk Reserve is used to meet pressures within Children & Learning.
5.	The forecast position for the HRA on business as usual activities is an under spend of £0.54M against an expenditure budget of £75.60M.
6.	In addition to the variances reported above, there is a forecast budget pressure from COVID-19 of £28.83M for the General Fund which is summarised in Appendix 1 (paragraphs 4 to 12) with more detail given in Appendix 3 of the report. For the HRA the forecast pressure from COVID-19 is £1.29M, with more information at paragraph 29 of Appendix 1.

<u>Capital</u>	
7.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2020/21 to 2024/25, highlighting the changes in the programme. The report also notes the major forecast variances against the approved estimates. A net £17.60M has been removed from the programme, which reflects the addition of Future Transport Zone spending less a reduced programme for the Connected Southampton programme following confirmation of the grant funding available from Government, which was lower than assumed at the time the programme was agreed.
8.	The current forecast position for 2020/21 at end of July 2020 is £194.15M, resulting in a potential underspend of £21.46M, as detailed in table 3 of Appendix 2.

RESOURCE IMPLICATIONS

Capital/Revenue

9.	The revenue and capital implications are contained in the report.
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Property/Other

10.	There are no specific property implications arising from this report other than the
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schemes already referred to within Appendix 2 and 3 of the report.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

11. Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.

Other Legal Implications:

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

SUPPORTING DOCUMENTATION

Appendices

1.	Revenue Financial Monitoring
2.	Capital Financial Monitoring
3.	Financial Impact of COVID-19

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

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
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	Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	Council Tax Setting and Related Matters (Council 20 February 2020)	
2.		