

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF SEPTEMBER 2021		
<b>DATE OF DECISION:</b>	15 NOVEMBER 2021		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE & CAPITAL ASSETS		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title:</b>	Executive Director for Finance, Commercialisation & S151 Officer	
	<b>Name:</b>	John Harrison	<b>Tel:</b> 023 80834897
	<b>E-mail:</b>	<a href="mailto:John.Harrison@southampton.gov.uk">John.Harrison@southampton.gov.uk</a>	
<b>Author:</b>	<b>Title:</b>	Head of Financial Planning & Management	
	<b>Name:</b>	Steve Harrison	<b>Tel:</b> 0739 2864525
	<b>E-mail:</b>	<a href="mailto:Steve.Harrison@southampton.gov.uk">Steve.Harrison@southampton.gov.uk</a>	

#### **STATEMENT OF CONFIDENTIALITY**

Annex 2.2a is confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of Councils Access to Information Procedure Rules. It is not in the public interest to disclose this because doing so would prejudice the authority's ability to achieve best consideration in financing the programme.

#### **BRIEF SUMMARY**

The report summarises the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund financial position for the Council as at the end of September 2021 and informs Cabinet of any major changes in the overall General Fund and HRA capital programme for the period 2021/22 to 2025/26. It also provides an update on the impact of COVID-19 on the Council's financial position.

The deficit as outlined in this report is £7.11M for 'business as usual activities' plus a further £0.36M net budget pressure for COVID19 related spending, bringing the total to £7.47M forecast overspend as at 30th September. The main factors behind this deficit forecast are (i) a deficit of £5.62M forecast within Children's Social Care (both for BAU and COVID-19) and (ii) a deficit of £1.48M forecast within Health and Adults Social Care (Both BAU and COVID-19). Hence, in total the deficit forecast within both areas of social care is £7.10M.

The Council continues to have financial resilience overall, as a result of:

- £38.4M unallocated within the Medium term Financial Risk Reserve.
- £9.3M unallocated within the Social Care Demand Reserve.
- £8.3M unallocated on central budgets, including those for contingency and inflation. However, it should be noted the pay award remains to be settled nationally, and inflation has crept upwards in recent months adding to budget pressures, and this may reduce the available sum.

Whilst the budget pressure reported for Children's Social Care and Health and Adults are of significant concern, the Social Care Demand Reserve exists to help support the

budget pressures as set out below:

ITEM	£M
2021/22 - BAU deficit forecast as at 30 Sept 2021	7.11
2021/22 – COVID-19 deficit forecast as at 30 Sept 2021	0.36
<b>2021/22: Total forecast deficit</b>	<b>7.47*</b>
Current available sum in Social Care Demand Reserve	9.29
<b>Net surplus position</b>	<b>(1.82)</b>

\*Of which deficit forecast within Health & Adult Social Care and Children's Social Care totals £7.10M

The total forecast deficit, including all BAU and COVID-19 financial pressures is currently £7.47M for the whole Council. The total deficit for Health & Adult Social Care and Children's Social Care combined is similar to this overall position at £7.10M.

Allowing for a sum of £9.29M available from the Social Care Demand Reserve in 2021/22, the deficit forecast could therefore be potentially covered. There is also £8.27M remaining available within corporate budgets for contingency and inflationary pressures, but a part of this sum will be needed for the 2021 pay award which has yet to be agreed nationally.

Note also that reserve sums held are one-off and whilst unallocated cover a variety of risks. However, as shown in the table above with the Social Care Demand Reserve, as well as in total, they provide assurance that the budget pressures evident in social care and reported here, although of major concern, are manageable in-year within the council's overall resources. Nevertheless action is underway to mitigate this situation as much as possible to reduce the forecast within Children's Social Care in particular, being by far the greater part of the present deficit forecast.

An action plan has therefore been drawn up in response to the Children's Social Care budget situation, entitled "Destination 2022". The intention is to ensure adequate budget resources, including investment for staff, to ensure high levels of demand can be managed and costs reduced. The precise details of the full funding for this plan is under consideration, in terms of the extent to which it will draw on the social care demand reserve and/or the corporate contingency budget and hence this will be included in future reporting. However, an initial £1.3M is required to cater for critical staff already engaged in supporting essential services. Further staffing changes are expected, with plans in train currently estimated to cost a further potential £1.2M in a full year, as an essential part of the Destination 2022 approach. These, and the funding of other costs integral to this approach, will be set out in further reports which will also set out the longer term benefits to the service and financial savings expected to be realised and included in future budgets.

The additions made to the 2021/22 revenue budget at Council in July 2021 amounted to a net £2.13M in support of the new priorities set out by the incoming Administration

and summarised below. Council agreed that the funding for these new priorities would come from the centrally held contingency budget for 2021/22. Hence, these new and agreed priorities are not adding to the budget deficit position reported as at Quarter 2.

**RECOMMENDATIONS:**

<b><u>General Revenue Fund</u></b>	
It is recommended that Cabinet:	
i)	Notes the forecast outturn position for business as usual activities is a £7.11M deficit, as outlined in paragraph 4 and in paragraph 1 of appendix 1.
ii)	Notes the financial position arising from COVID-19 is a deficit of £0.36M, as outlined in paragraph 5 and in paragraph 3 of appendix 1.
iii)	Notes the performance of treasury management, and financial outlook in paragraphs 8 to 11 of appendix 1.
iv)	Notes the forecast year end position for reserves and balances as detailed in paragraphs 12 and 13 of appendix 1.
v)	Notes the Key Financial Risk Register as detailed in paragraph 14 of appendix 1.
vi)	Notes the performance against the financial health indicators detailed in paragraphs 18 and 19 of appendix 1.
vii)	Notes the forecast outturn position outlined in the Collection Fund Statement detailed in paragraphs 23 to 26 of appendix 1.
viii)	Notes that Children’s Social Care continue to look at ways to mitigate the in-year deficit reported here and future year costs, as part of their Destination 2022 initiative. It is anticipated the in-year position will require use of corporately held funds via either the corporate contingency and/or the Social Care Demand Reserve, with such use being considered during quarter 3. However, Cabinet is asked to approve an initial £1.3M in 2021/22 for staffing related spend being incurred as a part of this package to ensure existing service critical posts have adequate budget provision, to be funded by the corporate contingency budget or the Social Care Demand Reserve. A final decision on the funding of this element to be delegated to the S151 officer, following consultation with the Cabinet Member for Finance and Capital Assets, with the future years financial impact arising from the Destination 2022 measures in Children’s Social Care to be included in the MTFS to be agreed in February 2022.
<b><u>Housing Revenue Account</u></b>	
It is recommended that Cabinet:	
ix)	Notes the forecast outturn position on business as usual activities is a surplus of £0.92M as outlined in paragraph 6 and paragraph 20 of appendix 1.
x)	Notes that a favourable variance of £0.57M is forecast arising from COVID-19, as outlined in paragraph 6 and paragraph 21 of Appendix 1.
<b><u>Capital Programme</u></b>	
It is recommended that Cabinet:	

	xv)	Notes the revised General Fund Capital Programme, which totals £437.08M as detailed in paragraph 1 of appendix 2.
	xii)	Notes the HRA Capital Programme is £340.81M as detailed in paragraph 1 of appendix 2.
	xiii)	Notes that the overall forecast position for 2021/22 at quarter 2 is £174.91M, resulting in a potential surplus of £5.73M, as detailed in paragraphs 4 and 5 of appendix 2.
	xiv)	Notes that the capital programme remains fully funded up to 2025/26 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.
	xv)	Approves slippage and rephasing of £42.63M (£10.34M of General Fund and £32.30M of HRA) as detailed in paragraph 5 and 7 of appendix 2. Noting that the movement has zero net movement over the 5-year programme.
	xvi)	Notes that no variances are forecast arising from COVID-19 as detailed in paragraph 8 of appendix 2.

#### REASONS FOR REPORT RECOMMENDATIONS

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| 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

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| 2. | Not Applicable. |
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#### DETAIL (including consultation carried out)

	<u>Revenue</u>
3.	<p>The financial position for the General Revenue Fund, Housing Revenue Account (HRA) and Collection Fund for the Council as at the end of September 2021 and key issues are summarised in appendix 1.</p> <p>A new Corporate Plan was agreed in July, following the election of the new administration, setting out the vision of Southampton as a city of opportunity. The forecast for the revenue budget includes the additions made in-year to the budget at the 21<sup>st</sup> July Council meeting as a result of the new priorities of the incoming Administration with financing coming from corporate contingency funds. The new measures included in the current financial year:</p> <ul style="list-style-type: none"> <li>• £0.52M for the <b>Growth</b> priority, which included for example extra for pothole repair work (£0.330M), promoting home ownership (£0.50M), supporting Mayflower Park Development (£0.50M) and a transport plan that provides a range of options to travel across the city with a feasibility sum (£0.50M).</li> <li>• £1.06M for <b>Wellbeing</b>, including summer school meal provision (£0.79M), Improve our health and learning for our children and adults across the city (£0.15M) and the Leisure Strategy (£0.9M).</li> <li>• £0.42M for our <b>Greener City</b>, including clean up improvements related to parks, open spaces and the waterfront (£0.30M) and enforcement against flytipping (£0.12M).</li> <li>• £0.82M for <b>Communities, Culture and Heritage</b>, including allow residents</li> </ul>

	<p>and visitors to benefit from free parking at weekends and evening (£0.41M), a community fund supporting groups coming forward with activities for younger people (£0.22M) and investment in destination management to develop tourism (£0.10M).</p> <ul style="list-style-type: none"> <li>£0.10M for a <b>Council that works for you</b>, which cover the first year capital financing costs of a range of capital scheme initiatives including £4M for highways, £0.5M for safer streets, £0.5M for golf course improvements and £0.25M for green flag improvement to parks.</li> </ul> <p>The above proposals, and others, are set out in full in the report to July 2021 Council meeting, and were agreed to be met from the corporate contingency budget.</p> <p>The Council also continues to receive major sums of money in grant in support of the additional costs the Council and local community has experienced from COVID. These sums either help SCC directly or are for SCC to administer and help third parties. They total £199M over this year and last year and are listed at Annexe 1.2.</p>
4.	The current forecast spending on business as usual activities against the council's net General Fund revenue budget for the year of £173.85M is projected to be a £7.11M deficit. The position has worsened by £4.42M compared to the position as at the end of quarter 1.
5.	The forecast General Fund variance relating to COVID-19 pandemic budgets as at the end of September 2021 is a deficit of £0.36M. The position has worsened by £0.40M compared to the position as at the end of quarter 1.
6.	The forecast position for the HRA on business as usual activities is a surplus of £0.92M against an expenditure budget of £75.87M. The position has worsened by £0.19M compared to the position at the end of quarter 1. There is a forecast surplus of £0.57M relating to the COVID-19 pandemic for the HRA, no change to the position as at the end of quarter 1.
	<b><u>Capital</u></b>
7.	Appendix 2 sets out any major changes in the overall General Fund and Housing Revenue Account (HRA) capital programme for the period 2021/22 to 2025/26, highlighting the changes in the programme since the last reported position in August 2021. The report also notes the major forecast variances against the approved estimates.
8.	The current forecast position for 2021/22 at quarter 2 is £174.91M, resulting in a potential surplus of £5.73M, as detailed in paragraphs 4 and 5 of appendix 2.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
9.	The revenue and capital implications are contained in the report.
<b><u>Property/Other</u></b>	
10.	There are no specific property implications arising from this report other than the schemes already referred to within appendix 2 of the report.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
11.	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>	
12.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
13.	See comments within report.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
14.	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
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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 2021/22, Medium Term Financial Forecast 2021/22 to	
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	2024/25 and Capital Programme 2020/21 to 2025/26 (Council 24 February 2021)	
2.		