

ITEM NO: 19 (ii)

DECISION-MAKER:	COUNCIL			
SUBJECT:	GENERAL FUND REVENUE OUTTURN 2007/08			
DATE OF DECISION:	16TH JULY 2008			
REPORT OF:	CABINET MEMBER FOR RESOURCES & WORKFORCE PLANNING PORTFOLIO			
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STATEMENT OF CONFIDENTIALITY

Not Applicable

SUMMARY

1. The purpose of this report is to summarise the overall General Fund revenue outturn for 2007/08. It compares actual spending against the original budget approved at Council in February 2007, adjusted for approved changes throughout the year.
2. The report also considers any requests for carry forwards, allocation of funds for corporate purposes or other additional expenditure.
3. The overall position on the General Fund shows that portfolios had a net under spend of £3.5M against the revised budget. After taking into account the outturn on other spending items and approved movements from balances, there was an overall favourable variance of £4.8M for the year. This report seeks to commit £2.4M of carry forwards to be funded from the remaining surplus, together with other spending and provisions totalling £2.4M.
4. The level of General Fund balances at 31 March 2008 after taking into account the outturn on the revenue account, the capital programme and movements from the Strategic Reserve is £12.3M which reduces to £4.7M over the medium term after taking into account the commitments outlined in this report.

RECOMMENDATIONS:

That Council:

- (i) notes the final outturn for 2007/08 detailed in Appendix 1;
- (ii) notes the performance of individual portfolios in meeting their budget targets as set out in paragraph 7 of this report and notes the major variances in Appendix 2;
- (iii) approves the carry forward requests as set out in Appendix 3.
- (iv) approves an addition to the Risk Fund of £200,000 for 2008/09 as set out in paragraph 16.

- (v) approves the use of £2,188,700 of the 2007/08 underspend to fund the cost of the corporate items set out in paragraphs 17 and 18.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn for 2007/08 forms part of the approval of the statutory accounts.

CONSULTATION

2. Not applicable

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. The final accounts have been prepared in accordance with statutory accounting principles.

DETAIL

4. Each Portfolio within the General Fund is responsible for monitoring its net controllable spending against its approved budget through out the financial year. The original budget as set by Council on 14th February 2007 remains fixed, however, the working budget is amended throughout the year and takes account of various budget adjustments and virements which managers can make under delegated powers as well as those that go to Cabinet for approval.
5. Whilst there are significant numbers of under and overspends highlighted in this report (Appendix 2), many of these have already been reported to Cabinet and Scrutiny as part of the corporate financial monitoring process throughout the year. In general terms, Portfolios are required to manage their budgets "within the bottom line" and where there are potential problems identified, Executive Directors have prepared action plans to bring spending back in line.
6. This report covers the outturn position for 2007/08 and analyses the spending against the revised budget and identifies where applicable, where any underspend has been requested to be carried forward into 2008/09.

Overall GF revenue position

7. The overall year end position on under and overspends is summarised overleaf.

	(Under) / Over Spend
	£000's
Portfolio Total	(3,533)
Capital Asset Management	(2,367)
Contribution to Transformation Fund	540
PFI Adjustment from Previous Years	(864)
Bad Debt Provision	1,200
Other Income & Expenditure	185
NET GF SPENDING	(4,839)

8. This shows the key reasons for the total net underspend during the year. Further details can be found in Appendix 1. It should be noted that the format of the accounts in Appendix 1 is different from the Income and Expenditure Account in the Statement of Accounts as the Income and Expenditure Account format is prescribed in Codes of Practice. It should also be noted that Appendix 1 does not take account of requests for carry forwards detailed in this report.
9. Details of significant variations in net controllable spending on portfolios are given in Appendix 2.

Non-Portfolio Variances

10. The variance on Capital Asset Management is due to three key reasons:-
 - Capital receipts of over £6M were received much earlier than anticipated adding around £400,000 to the income received
 - Slippage in the capital programme in 2006/07 has increased the Council's cash reserves from the start of the year (£500,000).
 - The original investment income figures were based on an average rate of 4.90%. The average investment rate for the year was 6.0% which together with higher investment balances has contributed a further £1,600,000 for the year.
11. Contribution to the Transformation Fund (£540,000) – As part of setting the budget for 2006/07, one off costs for delivering a Business Process Review programme were approved for 2006/07 and 2007/08. However, during 2007/08 negotiations were being held with Capita on the new Transformation Programme as part of the contract and the BPR programme was run down in the early part of the year. The one off costs set aside for the programme were retained in order to provide pump priming funding for the

Transformation Fund and this contribution within the outturn merely reflects the required accounting treatment for a contribution to a separate reserve.

12. PFI Adjustment from prior years (£864,000) – During the closedown process for 2005/06, the Council was required to set up a notional entry within the accounts to reflect the value of Cantell school sport hall that was transferred to the provider of the schools PFI contract and which was then to be notionally written down over the life of the contract. However, the debit entry for the transaction was incorrectly charged to the revenue account for that year and therefore this needs to be reversed and contributes to the bottom line position shown for the year even though there is no real underspend associated with this item.
13. Bad debt provision (£1,200,000) – The Audit Commission opinion on last year's final accounts raised concerns over the level of outstanding Community Health and Care debt compared to the level of bad debt provision that was available. In response to this, a thorough analysis and examination of all outstanding CHC debt has been undertaken together with a review of other old sundry debt that was transferred onto the Council's new financial information system from the previous FMS system. A prudent view has now been applied to the likely collection of this outstanding debt and it is considered that a global additional bad debt provision of £1.2M should be made in 2007/08.
14. It should be pointed out however that only a small element of this relates to the existing problems being experienced with CHC billing and the actual levels of total debt outstanding in each year is not out of line with expectations. The main problem is that separate bad debt provisions of around £300,000 per annum should have been made each year for the last four years rather than making a single provision this financial year.

Carry Forward Requests and Other Spending

15. Carry forward requests totalling £2.4M have been put forward by officers and details of the requests are given in Appendix 3. Council is asked to approve the carry forwards which would then be incurred in 2008/09 and be funded from balances.
16. In addition to the normal carry forwards, there is also a request to set aside up to £200,000 in the risk fund for 2008/09 to allow for potential additional costs of clearing a number of large Development Control applications that were received late in 2007/08 due to the expected fee rates change. Additional income of over £200,000 was received in 2007/08 as a result of these applications, but all of the work on these major applications will occur next financial year. This in effect therefore represents a request to ring fence this additional income to pay for additional costs in 2008/09 if required.
17. As part of the revised 2007/08 budget additional Direct Revenue Financing (DRF) of £1M was added to fund the Council's accommodation moves from Cumberland Place to Marlands House and the Civic Centre. £545,000 of this

was spent on the project in 2007/08 with the remainder programmed for later years. The balance of DRF of £455,000 is therefore required to be carried forward into future years to complete this project.

18. Funding for a further three corporate issues is also requested from Council :-

- Cumberland Dilapidations (£300,000) – The Council has vacated Cumberland Place as part of its accommodation strategy, but there will be dilapidation costs which are as yet unknown. As part of corporate monitoring during the year a saving in Administrative Building costs has been flagged up and it is proposed to set this saving aside as provision to allow for any dilapidation costs in Cumberland Place.
- Organisational Development Reserve (£1,000,000) – Every year as part of the outturn position officers review the funding within the strategic reserve to deal with organisational change. It is proposed this year given the overall underspend to contribute an additional £1M into an Organisational Development Reserve which will be used for restructuring, re-training, redeployment and redundancy costs in the future.
- Revenue Support Grant adjustment (£433,700) – Each year, the Government recalculates previous grant settlements based on revised data that is available to them. Any grant over paid is then clawed back through future grant payments. In 2007/08 the Council expected to lose £433,700 as a claw back on the 2006/07 grant, however, no such claw back was taken during the year. Since it is possible that this is an oversight by the Government it is considered prudent at this stage to provide centrally for this potential claw back.

19. Taking into account the carry forward requests, the budget commitments in paragraph 16, the corporate issues and the addition to the Risk Fund means that the overall impact on balances would be nil if all of the items in this report are approved.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

20. As set out in the report details.

Revenue

21. As set out in the report details.

Property

22. None.

Other

23. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

24. The Council's accounts must be approved by Council in accordance with the Accounts and Audit Regulations 2003.

Other Legal Implications:

24. None.

POLICY FRAMEWORK IMPLICATIONS

25. The proposals contained in the report are in accordance with the Council's Policy Framework Plan

SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Revenue Outturn 2007/08
2.	Main Variances on Controllable Portfolio Spending
3.	Carry Forward Requests

Documents In Members' Rooms

1.	
2.	
3.	

Background Documents

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.		
2.		

Background documents available for inspection at:

FORWARD PLAN No:

KEY DECISION?

WARDS/COMMUNITIES AFFECTED: