

DECISION-MAKER:	COUNCIL		
SUBJECT:	GENERAL FUND REVENUE OUTTURN 2013/14		
DATE OF DECISION:	16 JULY 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND LEISURE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

Confidential appendix 4 contains information deemed to be exempt from general publication based on Category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. In applying the public interest test, the appendix includes details of a litigation settlement which is currently subject to legal privilege and therefore cannot be publicly disclosed at this time

BRIEF SUMMARY

The purpose of this report is to summarise the overall General Fund revenue outturn for 2013/14. It compares actual spending against the revised budget approved at Council in February 2014, adjusted for approved changes made since that date.

The report also considers any requests for carry forwards and the allocation of funds for corporate purposes or other additional expenditure.

The overall position on the General Fund shows that Portfolios had a net under spend of £6.2M against the working budget. After taking into account the outturn on other spending items and approved movements from balances, there was an overall favourable variance of £11.8M for the year. However, it should be noted that this favourable variance includes the impact of a significant one off adjustment in the sum of £4.5M, as a result of a change to the way in which the Council accounts for its Minimum Revenue Provision (MRP) in respect of its external borrowing. The net underspend excluding this one off adjustment was therefore £7.3M. From within the overall underspend of £11.8M, this report seeks to fund £2.1M of carry forwards, and a transfer of £3M to the Transformation Fund to provide additional funding to support the council's Transformation Programme.

The level of General Fund balances at 31 March 2014 is £53.4M which, after taking into account the commitments outlined in this report and other planned draws from General Fund balances, reduces to £9M over the medium term to 2017/18. The minimum level of General Fund balances as recommended by the CFO is £5.5M, which means that there are available reserves above the minimum of £3.5M.

RECOMMENDATIONS:

It is recommended that Council:

- i) Notes the final outturn for 2013/14 detailed in Appendix 1, which is an under spend of £11.8M.

- ii) Notes that included within the overall underspend of £11.8M, is a significant one off adjustment of £4.5M in relation to a change in how the Council accounts for its Minimum Revenue Provision (MRP).
- iii) Notes the performance of individual Portfolios in managing their budgets as set out in paragraph 8 of this report and notes the major variances in Appendix 2.
- iv) Approves the carry forward requests totalling £2.1M as outlined in paragraph 15 and set out in Appendix 3.
- v) Approves the use of £3M of the 2013/14 underspend to fund the Council's Transformation programme, as set out in paragraph 17.
- vi) Approves the use of part of the 2013/14 underspend to fund the Council's settlement requirement in respect of Litigation as set out in confidential appendix 4.
- vii) Notes that the level of General Fund balances at 31 March 2014 is £53.4M, reducing to £9M by 2017/18.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn for 2013/14 forms part of the approval of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Reporting of outturn is undertaken in line with Local Government Accounting Practice. This is the only option appropriate.

DETAIL (Including consultation carried out)

CONSULTATION

3. Not applicable.

GENERAL FUND REVENUE BUDGET

4. The original budget as approved by Council on 13 February 2013 was revised by Council in February 2014. Each Portfolio within the General Fund is responsible for monitoring net controllable spend against the working budget throughout the financial year.
5. Whilst there are significant numbers of under and over spends 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 allocated resources" and where potential problems have been identified, Directors have prepared and implemented action plans to bring spending back in line.
6. This report covers the outturn position for 2013/14 and analyses spending against the working budget, identifying where applicable, where any under spend has been requested to be carried forward into 2014/15.

OVERALL GENERAL FUND REVENUE POSITION

7. The overall year end position is an under spend of £11.8M, as summarised in Appendix 1 and in the table below:

	(Under) / Over Spend £000's
Portfolio Total	(6,207)
Levies & Contributions	(2)
Capital Asset Management	(127)
Other Expenditure & Income	(984)
NET GF SPENDING BEFORE MRP ADJUSTMENT	(7,320)
MRP adjustment	(4,527)
NET GF SPENDING	(11,847)

8. As shown in the above table the Portfolio revenue outturn, after net of a draw from the Risk Fund of £3.9M, is an under spend of £6.2M and this is analysed below:

Portfolio	(Under) / Over Spend	
	£000's	%
Adult Services	(1,197)	1.9
Change & Communities	(1,543)	37.7
Children's Services	723	1.9
Economic Development & Leisure	(195)	3.2
Environment & Transport	(716)	2.6
Housing & Sustainability	(23)	1.2
Leaders Portfolio	(441)	12.5
Resources	(2,302)	5.3
Net Controllable Spend Total	(5,695)	3.0
Environment Trading Areas	(49)	
Risk Fund	(464)	
Portfolio Total	(6,207)	3.0

9. Potential pressures that arose during 2013/14 relating to volatile areas of expenditure and income have been managed through the Risk Fund. A sum of £4.4M was included in the revised budget to cover these pressures, to be released during the year if additional expenditure against the specific items was identified. The final draw on the Risk Fund totalled £3.9M, being £0.5M lower than estimated.
10. Details of corporate issues and significant variations in net controllable spending on Portfolios, including those which take into account amounts held

in the Risk Fund for specific service areas, are given in Appendix 2.

NON-PORTFOLIO VARIANCES

11. Levies & Contributions (£2,000 Favourable)
Reduced charges from Hampshire County Council for the provision of the Coroner's Service were partially offset by an increase in the cost of the flood defence levy.
12. Capital Asset Management (£77,000 Favourable)
Net interest payable was below that estimated as a consequence of the fact that we have borrowed less and at lower rates than assumed.
13. Other Expenditure & Income (£983,000 Favourable)
The main element of this favourable variance is unused contingency budget of £411,000, and a favourable variance on non specific government grants of £748K..
14. Minimum Revenue Provision (£4,527,000 Favourable)
A review of the Council's calculation of Minimum Revenue Provision (MRP) has resulted in a cumulative reduction in the Council's MRP for 2013/14 of £4.5M. From 2014/15 onwards, there is also an ongoing £600k per annum saving arising from the change in treatment of MRP. Further detail is set out in the Statement of Accounts report on the Council Agenda.

CARRY FORWARD REQUESTS AND OTHER NEW SPENDING

15. Carry forward requests totalling £1,539,000 have been put forward by Officers and details of the requests are given in Appendix 3. Council is asked to approve the carry forwards the spend for which would then be incurred in 2014/15 and be funded from balances. In addition, there is an under spend of £528,100 on the central repairs and maintenance budget which Council has agreed to automatically carry forward subject to the overall financial position of the Authority.
16. Approval to add additional funding to the Transformation fund and to fund the settlement of Litigation is also requested of Council. Further details on the litigation issue is set out in Confidential Appendix 4, and further information on the Transformation Fund is set out below.

Transformation Fund

17. The Council has already put in place a Transformation Fund, and at the end of 2013/14 the available balance on the fund was £2.279M. However, the planned draws in 2014/15 are such that all the available funding is committed.
18. The Executive have set out in their report to Cabinet on the 15th July an update to the One Council Transformation Programme. The report sets out a clear direction of travel for the Council, and seeks approval to take specific actions to become a sustainable council and one which will become much more customer focused.
19. The report also sets out that to deliver a Transformed Council, investment will be required on an ongoing basis to both enable and deliver service redesign, invest in our approach to how we interact with our customers, and to deliver increased investment in the IT infrastructure, to deliver for example increased

mobile working technology and customer portal development. The report highlights that to deliver a sustainable transformation, other Councils' have invested circa £3M- £5M per annum to deliver the required level of change.

20. Therefore, to ensure the Council can begin to make the necessary ongoing investment required, it is recommended that £3M is added to the Transformation Fund for 2014/15 funded from the 2013/14 favourable variance. The level of required investment will be kept under review and will be reviewed again when the Executive consider their overall budget report for 2015/16 in November.

MEDIUM TERM POSITION ON BALANCES

21. The table below shows the position for General Fund revenue balances after taking into account the commitments outlined above, the funding required for the current capital programme and other planned draws.

	2013/14	2014/15	2015/16	2016/17	Future Years
	£000's	£000's	£000's	£000's	£000's
Opening Balance	29,923	53,409	22,216	11,254	9,447
(Draw to Support)/ Contribution from Revenue	26,570	(18,715)	(6,584)	2,507	4,000
Draw to Support Capital	(11)	(490)	-	-	-
Contributions (to) / from Other Reserves	(1,400)	(3,000)		-	-
Draw for Strategic Schemes	(1,674)	(8,988)	(4,378)	(4,313)	(4,427)
Closing Balance	53,409	22,216	11,254	9,447	9,020

22. The uncommitted value of balances totals £9M which is £3.5M above the minimum level of £5.5M recommended by the Chief Financial Officer following a risk assessment of the required level to be maintained. Given the Council's medium term financial position, the availability of reserves above the minimum level does provide the Council with some flexibility, albeit limited, to be able to use those reserves to contribute to the management of the overall financial position through until 2017/18.

RESOURCE IMPLICATIONS

Capital/Revenue

23. As set out in the report details.

Property/Other

24. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

25. The Council's accounts must be approved by Council in accordance with the Accounts and Audit Regulations 2011.

Other Legal Implications:

26. None.

POLICY FRAMEWORK IMPLICATIONS

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

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Revenue Outturn 2013/14
2.	Main Variances on Controllable Portfolio Spending
3.	Carry Forward Requests
4.	Litigation Settlement (Confidential)

Documents In Members' Rooms

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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/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.	GENERAL FUND REVENUE BUDGET 2014/15 2016/17 – Council 12 February 2014	
2.		