

## ITEM NO:11

<b>DECISION-MAKER:</b>	COUNCIL			
<b>SUBJECT:</b>	GENERAL FUND REVENUE OUTTURN 2009/10			
<b>DATE OF DECISION:</b>	14 JULY 2010			
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES & WORKFORCE PLANNING PORTFOLIO			
<b>AUTHOR:</b>	Name:	Rob Carr	Tel:	023 80 83 2708
	E-mail:	Rob.Carr@southampton.gov.uk		

### STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

### SUMMARY

The purpose of this report is to summarise the overall General Fund revenue outturn for 2009/10. It compares actual spending against the revised budget approved at Council in February 2010, adjusted for approved changes throughout the year.

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 £3.3M 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 £8.5M for the year. This report seeks to commit £1.5M of carry forwards to be funded from the surplus, together with other new spending and provisions totalling £4.3M

The level of General Fund balances at 31<sup>st</sup> March 2010 after taking into account the outturn on the revenue account, the capital programme and movements from the Strategic Reserve is £19.8M, which reduces to £5.2M over the medium term after taking into account the commitments outlined in this report.

### RECOMMENDATIONS:

That Council:

- (i) Notes the final outturn for 2009/10 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 addition to the Revenue Development Fund of £110,000 as set out in paragraph 14.
- (iv) Notes the use of £25,000 of the unspent contingency to fund the replacement of the windows at the Cobbett Road Library in 2010/11 which has already been approved as outlined in paragraph 16.
- (v) Approves the carry forward requests totalling £1,460,200 (of which £362,600 relates to central repairs and maintenance) as outlined in paragraph 17 and set out in detail in Appendix 3.

- (vi) Approves the use of £4,214,000 of the 2009/10 under spend to fund the cost of the corporate items set out in paragraph 18.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. The reporting of the outturn for 2009/10 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 18<sup>th</sup> February 2009 was revised by Council in February 2010. The revised budget then 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 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 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 2009/10 and analyses the spending against the working budget and identifies where applicable, where any under spend has been requested to be carried forward into 2010/11.

### **OVERALL GENERAL FUND REVENUE POSITION**

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

	<b>(Under) / Over Spend</b>
	<b>£000's</b>
<b>Portfolio Total</b>	<b>(3,274)</b>
Levies & Contributions	65
Capital Asset Management	(688)
Direct Revenue Financing of Capital (DRF)	(1,547)
Net Housing Benefit Payments	17
Revenue Development Fund	(231)
Other Income & Expenditure	(2,566)
Unspent Contingencies	(250)
<b>NET GF SPENDING</b>	<b>(8,474)</b>

8. This summarises the key reasons for the total net under spend 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. As last year, potential pressures that may arise during 2009/10 relating to volatile areas of expenditure and income are being managed through the Risk Fund. A net sum of £4.3M 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 £4.1M being £208,300 lower than estimated.
10. Details of corporate issues and significant variations in net controllable spending on Portfolios which take into account amounts held in the Risk Fund for specific service areas are given in Appendix 2.
11. Whilst many of these explanations refer to 'over spends', the majority of the major variations were reported throughout the year and these spending pressures within Portfolios were effectively managed through the use of the Risk Fund. The main areas are shown in the table below:

<b>Portfolio</b>	<b>Service Activity</b>	<b>£000's</b>
Adult Social Care & Health	Adult Disability	350.0
Adult Social Care & Health	Learning Disability Services	150.0
Children's Services	Multi Agency Resource Panel and Out of City	1,251.8
Environment & Transport	Income impacted by the economic climate – Off Street Car Parking	1,279.0
Environment & Transport	Income impacted by the economic climate – Development Control	398.0
Environment & Transport	Income impacted by the economic climate – Bus Shelter Contract	350.0
Environment & Transport	Bereavement Services	193.0
Resources & Workforce Planning	Income impacted by the economic climate – Sponsorship Income	81.6
<b>Portfolio Draw From Risk Fund</b>		<b>4,053.4</b>

## **NON-PORTFOLIO VARIANCES**

12. Capital Asset Management (£687,600) - In order to balance the fall in investment income a conscious decision was taken to switch to short term debt which is currently available at lower rates than long term debt due to the depressed market. As a result the average rate for repayment of debt, (the Consolidated Interest Rate – CRI), has reduced from 4.35% in 2008/09 to 1.95% which has resulted in a reduction in net interest paid.
13. Direct Revenue Financing (DRF) (£1,547,000) – Re-phasing on the capital programme detailed in the Capital Outturn report, also on the agenda, has meant that not all of the DRF has been required in year. However, this funding will be needed in future years when the capital spending takes place.
14. Revenue Development Fund (£230,700) –In recognition of the fact that there are uncertainties in relation to timing and speed of progress of complex and strategic projects, the funding for these revenue developments has been placed into a Revenue Development Fund from 2009/10 to enable the Council to retain flexibility in funding. The outstanding funding at the end of 2009/10 is £230,700 and it is proposed that £110,000 of this under spend is carried into 2010/11 and added to the Revenue Development Fund.
15. Other Income and Expenditure (£2,566,900) – The major element of this relates to the receipt of a refund from HM Revenues & Customs (HMRC) totalling £2,732,700.

The Council, following the House of Lords judgement in respect of Michael Fleming (which prevented HMRC enforcing regulations which would illegally limit Vat Reclaims to the three previous years) submitted a number of “Fleming” claims (some in conjunction with KPMG who receive 5% of amounts received) which were required to be submitted by 31 March 2009. These claims were successful and have resulted in this one off major receipt.

16. Unspent Contingency (£250,000) – The general contingency of £250,000 was not required in 2009/10. However, as part of the 3<sup>rd</sup> Quarter Financial and Performance Monitoring report which went to Cabinet on 15<sup>th</sup> February 2010, it was approved that £25,000 of the unspent amount could be utilised to replace the windows at the Cobbett Road Library. This expenditure will be incurred in 2010/11.

### **CARRY FORWARD REQUESTS AND OTHER NEW SPENDING**

17. Carry forward requests totalling £1,097,600 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 2010/11 and be funded from balances. In addition there is an under spend of £362,600 on the central repairs and maintenance budget which Council has agreed to automatically carry forward subject to the overall financial position of the Authority.
18. Funding for a further five corporate issues is also requested from Council:
- Organisational Development Reserve (£2,000,000) – 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 under spend to contribute an additional £2.0M into the Organisational Development Reserve which is used for restructuring, re-training, redeployment and redundancy costs in future years.
  - Efficiency Programme (£700,000) – The Efficiency Strategy was approved by Council on 17<sup>th</sup> February 2010. The aim of the Efficiency Strategy is to ensure a robust and co-ordinated approach to determining the programme of change which will deliver fundamental changes in the ways the Council works, supporting its vision to become more customer focused by delivering services more efficiently using high quality data to make better decisions. The primary objective of the programme is to reduce complexity and costs through focus on customer outcomes, simplification and standardisation. In order to help provide capacity and investment where required to take these major pieces of work forward, it is proposed that £700,000 of the under spend from 2009/10 is set aside for this purpose to be allocated by the Efficiency Programme Board on a business case basis.
  - Accommodation Reserve (£1,250,000) – Full Council has agreed to automatically carry forward any surplus/deficit on the central repairs and maintenance budget at year-end subject to the overall financial position of the Authority. However as work associated with the implementation of the Accommodation Strategy (including the major works associated with the civic centre) is underway, it was felt that a more flexible approach to building related budgets was required in the future.

Consequently, Cabinet approved the delegation of authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to allocate premises related resources (revenue and capital) in order to maximise their efficient use in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy. Of the total under spend on the central repairs and maintenance budget and other related accommodation budgets of £1,612,600 it is recommended that £1,250,000 is added to the Strategic Reserve to ensure that this can be achieved.

- Pot Holes (£77,000) – The 2009/10 revised budget includes an assumed increase in the budget for highway maintenance of £500,000 in order to help address the deterioration in the road network following the severe weather conditions experienced in the early part of the year. Due to the virement limits, a maximum of £250,000 was initially approved by Cabinet on 1<sup>st</sup> February, with a further £250,000 approved by Full Council on 17<sup>th</sup> February for this purpose. Any funds not utilised in 2009/10 were to be carried forward into 2010/11.
- New Spending Initiatives (£187,000) – New spending initiatives requiring one-off funding of £187,000 in 2010/11 have been identified and details of the requests are given in Appendix 4.

19. The table below shows the position for balances after taking into account the commitments outlined in this report and the funding required for the current capital programme.

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
<b>Opening Balance</b>	<b>15,316.8</b>	<b>19,849.5</b>	<b>10,866.1</b>	<b>9,048.5</b>	<b>6,851.3</b>
Draw (from) / to Revenue	5,571.2	(3,360.0)	(100.0)		
Draw to Support Capital	(32.0)	(110.0)		(227.0)	
Draw for Strategic Schemes	(1,006.5)	(5,513.4)	(1,717.6)	(1,970.2)	(1,659.7)
<b>Closing Balance</b>	<b>19,849.5</b>	<b>10,866.1</b>	<b>9,048.5</b>	<b>6,851.3</b>	<b>5,191.6</b>

20. The uncommitted value of balances totals £5.2M which is £0.7M above the minimum level recommended by the Chief Financial Officer.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

21. As set out in the report details.

### **Revenue**

22. As set out in the report details.

**Property**

23. None.

**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 2003.

**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

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Revenue Outturn 2009/10
2.	Main Variances on Portfolio Spending
3.	Carry Forward Requests
4.	New Spending Initiatives

**Documents In Members' Rooms**

1.	None
----	------

**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.	Cabinet report on 3 <sup>rd</sup> Quarter Financial and Performance Monitoring for 2009/10 approved on 15 <sup>th</sup> February 2010	
2.	Council report on the General Fund Revenue Budget 2010/11 to 2012/13 approved on 17 <sup>th</sup> February 2010	

**Background documents available for inspection at:**

**KEY DECISION?**                      No

<b>WARDS/COMMUNITIES AFFECTED:</b>	all
------------------------------------	-----