

DECISION-MAKER:	COUNCIL
SUBJECT:	GENERAL FUND REVENUE OUTTURN 2011/12
DATE OF DECISION:	11 JULY 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES
STATEMENT OF CONFIDENTIALITY:	
NOT APPLICABLE	

BRIEF SUMMARY:

The purpose of this report is to summarise the overall General Fund revenue outturn for 2011/12. It compares actual spending against the revised budget approved at Council in February 2012, adjusted for approved changes made subsequently.

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 £3.8M 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 £6.9M for the year. This report seeks to commit £0.8M of carry forwards to be funded from the surplus, together with other provisions totalling £5.6

The level of General Fund balances at 31 March 2012 after taking into account the outturn on the revenue account, the capital programme and movements from the Strategic Reserve is £23.5M, which reduces to £5.5M over the medium term after taking into account the commitments outlined in this report and previously approved decisions.

RECOMMENDATIONS:

It is recommended that Council:

- (i) Notes the final outturn for 2011/12 detailed in Appendix 1 which is an under spend of £6.9M.
- (ii) Notes the performance of individual Portfolios in managing their budgets as set out in paragraph 9 of this report and notes the major variances in Appendix 2.
- (iii) Notes re-phasing on the capital programme means that funding of £77,100 will be needed in future years when the capital spending takes place as set out in paragraph 14.
- (iv) Approves the carry forward requests totalling £786,000 (of which £521,000 relates to central repairs and maintenance) as outlined in paragraph 16 and set out in detail in Appendix 3.
- (v) Approves the use of £5.5M of the 2011/12 under spend to fund the cost of the corporate items as set out in paragraph 17.

REASONS FOR REPORT RECOMMENDATIONS:

1. The reporting of the outturn for 2011/12 forms part of the approval of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

2. None as the final accounts have been prepared in accordance with statutory accounting principles.

DETAIL (Including consultation carried out):

CONSULTATION

3. Not applicable.

GENERAL FUND REVENUE BUDGET

4. The original budget as approved by Council on 16 February 2011 was revised by Council in February 2012. Whilst the revised budget remains fixed, 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. 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 the bottom line" and where there are potential problems identified, Directors have prepared action plans to bring spending back in line.
6. This report covers the outturn position for 2011/12 and analyses spending against the working budget, identifying where applicable, where any under spend has been requested to be carried forward into 2012/13.

OVERALL GENERAL FUND REVENUE POSITION

7. The overall year end position is an under spend of £6.9M, the key reasons for which are summarised below.

	(Under) / Over Spend £000's
Portfolio Total	(3,833.2)
Levies & Contributions	30.7
Capital Asset Management	(129.1)
Direct Revenue Financing of Capital (DRF)	(77.1)
Exceptional Expenditure & Income	(2,814.0)
Other Variances	(100.2)
NET GF SPENDING	(6,922.9)

8. 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 Comprehensive Income and Expenditure Account in the Statement of Accounts as the Comprehensive 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 shown in the above table, the Portfolio revenue outturn is an under spend of £3.8M and this is analysed below:

Portfolio	(Under) / Over Spend	
	£000's	%
Adult Social Care & Health	(210.2)	0.3
Children's Services & Learning	262.5	0.7
Environment & Transport	(500.6)	2.1
Housing Portfolio	(274.7)	2.9
Leader's Portfolio	(324.1)	4.2
Leisure & Culture	157.6	2.2
Resources	(852.2)	1.8
Net Controllable Spend Total	(1,741.7)	0.9
Environment Trading Areas	(39.8)	
Risk Fund	(2,051.7)	
Portfolio Total	(3,833.2)	1.6

10. Potential pressures that arose during 2011/12 relating to volatile areas of expenditure and income have been managed through the Risk Fund.

A net sum of £3.0M 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. Of this sum £1.3M was for the forecast over spend within Portfolios which was anticipated at the end of Quarter 3. The final draw on the Risk Fund totalled £0.9M, being £2.1M lower than estimated.

11. 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

12. Levies & Contributions (£30,700) – Additional charges have been incurred from Hampshire County Council for the provision of the Coroner’s Service although this has been partially offset by under spends on other levies and contributions. The Council bears a proportion of the cost of this service based on caseload statistics and this has increased above the estimated levels for 2011/12.
13. Capital Asset Management (£129,100) – Net interest payable was below that estimated as a consequence of the fact that we have borrowed at lower rates than assumed. Lower rates have been achieved through a conscious decision to continue to utilise short term variable rate debt which remains available at lower rates than long term fixed rate debt due to the depressed market. The prediction based on all of the economic data available is that interest rates will remain lower for a sustained period of time and that this situation will therefore continue into 2012/13 and beyond.
14. Direct Revenue Financing (DRF) (£77,100) – 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.
15. Exceptional Expenditure & Income (£2.8M) – This relates primarily to the receipt of a refund from HM Revenues & Customs (HMRC). 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. In total VAT refunds to the value of £4.0M were received during the year. A claim in respect of Trade Waste was successful and £1.3M was recognised when the budget was revised by Council in February 2012. In addition to the value of the claim we have also subsequently been awarded statutory interest and a number of further claims have been successful resulting in this one off major receipt.

CARRY FORWARD REQUESTS AND OTHER NEW SPENDING

16. Carry forward requests totalling £265,000 have been put forward by Officers and details of the requests are given in Appendix 3. Council is asked to approve the carry forwards which would then be incurred in 2012/13 and be funded from balances.

In addition there is an under spend of £521,000 on the central repairs and maintenance budget which Council has agreed to automatically carry forward subject to the overall financial position of the Authority.

17. Funding for a further five corporate issues is also requested from Council:

- Organisational Development Reserve (£2.2M) – 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 £2.2M into the Organisational Development Reserve which is used for restructuring, re-training, additional HR resourcing, redeployment and redundancy costs in future years. Of this sum £0.8M is required to meet the costs associated with the ongoing work to implement Equal Pay. This will increase the total sum set aside in the Organisational Development Reserve in 2012/13 to almost £7.3M.
- Change Programme (£1.0M) – The Change Programme was approved by Cabinet on 21 November 2011. The aim of the Programme, which comprises a number of major pieces of work, is to ensure that the Council responds to the enormous changes facing the public sector and transforms the way we do business, reducing our costs and becoming a fit for purpose organisation by 2015. In order to help provide capacity and investment where required to take these major pieces of work forward, it is proposed that £1.0M of the under spend from 2011/12 is set aside for this purpose to be allocated by the Change Programme Steering Group on a business case basis. This will increase the total sum set aside to fund the Change Programme to almost £2.5M, an element of which is already committed.
- Marlands House Vacation (£1.0M) – Work associated with the implementation of the Accommodation Strategy (including the major works associated with the civic centre) is underway, and we are now looking to the next phase of the Strategy. Further rationalisation of office accommodation can be achieved as a result of vacating Marlands House, delivering ongoing revenue savings and avoiding future capital spending commitments. However, additional one off revenue funding is required to facilitate this and it is proposed that £1.0M of the under spend from 2011/12 is added to the Strategic Reserve to ensure that this can be achieved.
- Interest Equalisation Reserve (£1.0M) – In achieving interest rate savings, the Council has exposed itself to variable interest rate risk and whilst in the current climate of low interest rates this is obviously a sound strategy, at some point when the market starts to move the Council will need to act quickly to lock into fixed long term rates. It was therefore recommended in the February 2009 Treasury Management Strategy report to Full Council that an Interest Equalisation Reserve be created from the savings arising from the switch to lower rate variable interest rate debt, and maintained at a prudent level to help to manage volatility in the future and ensure that there is minimal impact on annual budget decisions. It is recommended that an additional £1.0M is added to the Interest Equalisation Reserve to ensure that adequate provision is made for the future increase in interest costs associated with the ongoing utilisation of variable interest rates. This will increase the total sum set aside in the Interest Equalisation Reserve to almost £3.1M.

- Additional Contribution to DRF Funding (£0.3M) – It is forecast that additional capital expenditure of £0.3M in relation to SeaCity will need to be funded in 2012/13. It is proposed to fund this from revenue and utilise an element of the 2011/12 under spend for this purpose.

18. 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.

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's	£000's
Opening Balance	17,393.9	23,529.6	6840.6	5,688.7	5,805.0
(Draw to Support) / Contribution from Revenue	11,763.0	(4,895.2)	4,000.0	4,000.0	4,000.0
Draw to Support Capital	(1,819.9)	(352.6)			
Draw for Strategic Schemes	(3,807.4)	(11,441.2)	(5,151.9)	(3,883.7)	(4,305.0)
	23,529.6	6,840.6	5,688.7	5,805.0	5,500.0

19. The uncommitted value of balances totals £5.5M which is £0.5M above the minimum level recommended by the Chief Financial Officer following a risk assessment of the required level to be maintained.

RESOURCE IMPLICATIONS:

Capital/Revenue:

20. As set out in the report details.

Property/Other:

21. None.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

23. None

POLICY FRAMEWORK IMPLICATIONS:

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

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KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices:

1.	General Fund Revenue Outturn 2011/12
2.	Main Variances on Controllable Portfolio Spending
3.	Carry Forward Requests

Documents In Members' Rooms:

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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Other Background Documents

Integrated 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 2012/13 TO 2014/15 – Council 15 February 2012	
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