

DECISION-MAKER:	COUNCIL		
SUBJECT:	GENERAL FUND AND HOUSING REVENUE ACCOUNT REVENUE OUTTURN 2016/17		
DATE OF DECISION:	19 JULY 2017		
REPORT OF:	CABINET MEMBER FOR FINANCE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

The purpose of this report is to summarise the overall General Fund and Housing Revenue Account (HRA) revenue outturn position for 2016/17. It compares actual spending against the budget for 2016/17 noted by Council in February 2016, updated in February 2017 and 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 over spend of £3.67M against budget. With the main areas of concern being Adult Social Care, Education and Transformation, more detail is included in paragraph 8 and Appendix 2.

After taking into account the outturn on other spending items and approved movements from balances, the Council's outturn allowed a transfer to reserves of £4.97M resulting in a balance position.

The level of General Fund balance at 31 March 2017 is £11.3M, which is in line with the Medium Term Financial Strategy agreed at February Council. The report also now incorporates more information regarding the position on the Collection Fund. At the year end, the Collection Fund has an additional surplus of £2.1M (SCC Share) over that assumed when setting the budget in February 2017. This surplus will be taken into account when reviewing and setting the budget for 2018/19.

The overall position on the HRA was a net underspend of £1.0M. A surplus was required to partly offset the budgeted loss of income from rents in 2017/18.

The revised HRA working balance at 31 March 2017 of £3.0M exceeds the minimum requirement for the HRA of £2.0M (approved by Council in February 2012).

The HRA outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was an adverse variance for the

year of £0.65M. This variance has been offset by a reduction of £0.65M in the revenue allocated to fund the HRA capital programme.

RECOMMENDATIONS:

It is recommended that Council:

	(i)	Notes the final General Fund outturn for 2016/17 detailed in Appendix 1 is a balanced position following the transfer to earmarked reserves and the revenue grants reserve totalling £4.97M as noted in paragraph 7.
	(ii)	Notes that the level of General Fund balances at 31 March 2017 was £11.3M.
	(iv)	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.
	(v)	Approves the carry forward requests totalling £0.13M and as outlined in paragraph 16.
	(vi)	Notes that £0.8M has been transferred to the Revenue Grants Reserve as detailed in paragraph 15.
	(vii)	Notes the accounts for the Collection Fund in 2016/17 as detailed in paragraphs 24 to 31 and in Appendix 4.
	(viii)	To note the HRA revenue outturn for the financial year 2016/17, as set out in Appendix 5, and the working balance at the end of the year of £3.0M.

REASONS FOR REPORT RECOMMENDATIONS

1.	The reporting of the outturn for 2016/17 forms part of the approval of the statutory accounts.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	Reporting of outturn is undertaken in line with Local Government Accounting Practice. This is the only appropriate option.
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DETAIL (Including consultation carried out)

GENERAL FUND BUDGET

3.	The original budget was approved by Council in February 2016 with the working budget noted by Council in February 2017. Each Portfolio within the General Fund is responsible for monitoring net controllable spend against the budget throughout the financial year.
4.	Whilst there are a 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 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, Service Directors have prepared and implemented action plans to bring

	<p>spending back in line. Additionally 'Intensive Care Meetings' are held with the Senior Leadership Team, chaired by the Chief Executive and attended by appropriate officers to ensure that the actions are being undertaken, issues and risks are raised and discussed and resolutions are identified.</p>		
5.	<p>This report covers the outturn position for 2016/17 and analyses spending against the budget, where any under spend has been requested to be carried forward into 2017/18 and the reason why.</p>		
	<p>OVERALL GENERAL FUND REVENUE POSITION</p>		
6.	<p>The overall year end position is a balanced position following a transfer to reserves of £4.97M. This transfer comprises an allocation to earmarked reserves of £4.17M and a transfer to the revenue grants reserve of £0.8M.s summarised in Appendix 1 and in the table below:</p>		
			(Under) / Over Spend £M
	Portfolio Total		3.67
	Levies & Contributions		0.06
	Capital Asset Management		(2.35)
	Other Expenditure & Income		(4.29)
	Transfers from reserves in year		(0.80)
	Transfer to reserves - year-end balance		4.17
	Transfer to Revenue Grants Reserve		0.80
	Grants		(1.26)
	Final Position following transfer to reserves		0.00
7.	<p>As shown in the above table the Portfolio revenue outturn is an overspend of £3.67M and this is analysed in the table below:</p>		
			(Under)/Over £M
	Portfolio		
	Communities, Culture & Leisure		(0.27)
	Education and Children's Social Care		(0.37)
	Environment & Transport		(0.91)
	Finance		(0.82)
	Health & Adult Social Care		5.46
	Housing & Sustainability		(0.49)
	Leader's Portfolio		(2.24)
	Transformation		3.31
	Net Controllable Spend Total		3.67

8.	<p>The main variations are:</p> <p><u>Health and Adult Social Care</u></p> <p>Long Term Care continues to be an issue within this area due to increased demand and increased complexity of cases, with some savings not being achieved, resulting in an overspend of £5.14M.</p> <p>£4M has been injected into the budget for the 2017/18 financial year to reflect the increase in demand. This is alongside the further non recurrent improved Better Care Fund monies that will be invested in more transformational projects to put in place long term solutions to issues.</p> <p><u>Education and Children’s Social Care</u></p> <p>The High Needs Area has overspent by £1.27M due to an increase in the pupil numbers attending Special Schools. In 2017/18 it is expected that this pressure will continue. Work is currently being carried out with in conjunction the Schools Forum to review funding in the High Needs Area. To support this issue in 2017/18 there is an intention to inject a one-off transfer from reserves.</p> <p>This has been offset in part by Children’s Social Care underspending for the first time in a number of years. There is an underspend in this area of £1M as a result of activity looking at cost control, improved practice, management oversight, transforming services and reviewing cases.</p> <p><u>Transformation</u></p> <p>The £3.31M overspend in area relates largely to undelivered savings the largest of which has been dealt with in the budget going forward.</p> <p><u>Leader’s Portfolio</u></p> <p>The Leader’s Portfolio has underspent by £2.24M, £1.61M of these has arisen due to slippage on the planned schedule of repair and maintenance works. The programme for 2017/18 has been reviewed to take this into account. All work scheduled to take place in 2017/18 is expected to be within the allocated budget.</p>
9.	<p>This position cannot be sustained going forward and it is the intention when improving financial management within the Council to operate a “no surprises” policy on monitoring. In order to facilitate this improvement a need was identified to introduce a new operating model for Finance. This model sees the establishment of Business Partners working very closely with service areas to ensure Finance staff are part of the decision making process, and can highlight issues early. Further collaboration with Business Intelligence should also lead to improvements in forecasting and management information for budget control. There will also be a review of the budget monitoring process with a clearer focus on actuals and commitments working alongside managers.</p>
10.	<p>This along with the intensive care sessions that are held with the Senior Leadership Team put a greater focus on controlling financial spend and ensuring savings proposals are progressing.</p>
11.	<p>Details of significant issues and variations in net controllable spending on Portfolios are given in Appendix 2.</p>
12.	<p>Appendix 2 also details any unachieved savings in 2016/17 and the actions</p>

	that have been put in place to mitigate this in 2017/18 and future years.
	NON-PORTFOLIO VARIANCES
13.	<u>Capital Asset Management - £2.35M Favourable</u> Borrowing costs are lower than anticipated due to continued low interest rates and reduced need to take out new borrowing. Additionally, when setting the budget it was assumed that borrowing would be taken on a long term basis and there would have been a move away from internal borrowing to external but we have continued with short term borrowing and internal borrowing as the interest rates are substantially lower than anticipated.
14.	<u>Other Expenditure & Income - £4.29M Favourable</u> The main element of this favourable variance is the release of the Risk Fund to offset the net portfolio overspend.
15.	<u>Grants - £1.26M Favourable</u> This is largely due to higher than anticipated Education Services Grant (ESG) as the number of academy conversions were lower than anticipated.
	CARRY FORWARD REQUESTS AND OTHER NEW SPENDING
16.	There has been one carry forward request of £0.13M put forward by Officers in relation to the Arts Complex. It is proposed that funding of £0.13M should be carried forward into 2017/18 for the purpose of establishing a sound basis for its business operation, programme and marketing, ensuring the best possible preparation for future financial viability. Council is requested to approve the carry forward, and note that the spend will be incurred in 2017/18 and be funded from the carry forward reserve.
17.	It should also be noted that a sum of £0.8M has been transferred to the revenue grants reserve which was set up for the carry forward of unconditional specific grants. It is anticipated spend will be incurred in 2017/18 and funded from this reserve.
	MEDIUM TERM POSITION ON RESERVES AND BALANCES
18.	The General Fund balance stands at £11.3M. This is a net reduction of £1.5M compared to a balance of £12.8M at the end of 2015/16.
19.	The council's approved level for the General Fund Balance was £5.5M. Following an assessment of risk by the Chief Financial Officer, it was recommended that this should increase to £11.3M. In reviewing the level of reserves and balances as part of closing the 2016/17 accounts, it was possible to increase the balance to the recommended level in line with the coming year's budget recommendation. There is no proposed draw on the balance to support the budget position in 2017/18.
20.	Within the Medium Term Financial Strategy (MTFS), the financial risks facing the Council have been identified. This includes assessing the risk of continuing reductions in Central Government Funding. The subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the council.
21.	In light of the increasing level of risk and uncertainty identified with the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been

	undertaken. In closing the accounts for 2016/17 a view has been taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.																				
22.	<p>It should also be noted that two new reserves have been created:</p> <ul style="list-style-type: none"> • Learning Disabilities Housing Reserve – The Council received funding from the Clinical Commissioning Group (CCG) to help fund the provision of appropriate accommodation for adult clients with Learning Disabilities. It is appropriate to hold the funding in a reserve to be released as suitable schemes are developed as it can only be used for this purpose. • Insurance Reserve – previously the Council held a number of insurance provisions to meet the potential liability for insurance claims against the authority. Following advice from our external auditors, this has now been split between a provision for known claims and a reserve to meet the costs of potential claims. 																				
23.	The Council maintains a number of useable reserves these totalled £73.56M at year end. This includes £68.55M of General Fund Reserves and £5.01M of school balances. A breakdown of useable reserves is shown in Appendix 3.																				
COLLECTION FUND																					
24.	<p>There is an overall surplus on the Collection Fund of £10.02M to be carried forward into 2017/18. The following table shows how the surplus has been derived:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Collection Fund Table</th> <th style="text-align: center;">Council Tax £M</th> <th style="text-align: center;">Business Rates £M</th> <th style="text-align: center;">Total Collection Fund £M</th> </tr> </thead> <tbody> <tr> <td>(Surplus)/Deficit 2015/16 B/Fwd</td> <td style="text-align: center;">(2.14)</td> <td style="text-align: center;">(7.83)</td> <td style="text-align: center;">(9.97)</td> </tr> <tr> <td>(Surplus)/Deficit 2016/17</td> <td style="text-align: center;">(1.70)</td> <td style="text-align: center;">1.65</td> <td style="text-align: center;">(0.05)</td> </tr> <tr> <td>(Surplus)/Deficit 2016/17 C/Fwd</td> <td style="text-align: center;">(3.84)</td> <td style="text-align: center;">(6.18)</td> <td style="text-align: center;">(10.02)</td> </tr> <tr> <td>Southampton City Council Share</td> <td style="text-align: center;">(3.19)</td> <td style="text-align: center;">(3.03)</td> <td style="text-align: center;">(6.22)</td> </tr> </tbody> </table>	Collection Fund Table	Council Tax £M	Business Rates £M	Total Collection Fund £M	(Surplus)/Deficit 2015/16 B/Fwd	(2.14)	(7.83)	(9.97)	(Surplus)/Deficit 2016/17	(1.70)	1.65	(0.05)	(Surplus)/Deficit 2016/17 C/Fwd	(3.84)	(6.18)	(10.02)	Southampton City Council Share	(3.19)	(3.03)	(6.22)
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25.	The Council Tax element of the Collection Fund had a surplus for the year of £1.70M. There was a surplus brought forward from 2015/16 of £2.14M, to give a surplus to be carried forward to 2017/18 of £3.84M.																				
26.	It was estimated that there would be a deficit of £0.07M to be carried forward. This estimated deficit was taken into account in setting the 2017/18 Council																				

	<p>Tax and was shared by the City Council, the Police & Crime Commissioner for Hampshire and the HFRA in proportion to the precepts levied by each authority in 2016/17.</p> <p>The favourable movement has been brought about by the following:</p> <ul style="list-style-type: none"> • a decrease in the Council Tax bad debt provision (£0.6M); and • an increase in income from Council Tax Payers (£1.2M). 								
27.	The NDR element of the Collection Fund had a deficit for the year of £1.65M. A deficit on this account was always anticipated for this financial year as the previous years' surplus of £7.83M was to be distributed. This gives a surplus of £6.18M to be carried forwarded into 2017/18.								
28.	It was estimated that there would be an NDR surplus of £4.74M to be carried forward. The reason for the improved position is: <ul style="list-style-type: none"> • increased income from NDR Ratepayers (£1.1M); • decreased in transitional payments to DCLG (£0.6M);and • an increase in the NDR related provisions of £0.3M. 								
29.	When setting the estimate a prudent assessment was made of the impact of the economic climate on the arrears position and the resulting bad debt provision required. This has been more favourable. Additionally, as a result of a lower than expected reductions in respect of refunds granted relating to successful appeals there is an increase income from rate payers compared to that assumed.								
30.	This additional surplus of £1.44M that will be carried forward to 2018/19 will be shared between Central Government (50%), Southampton (49%) and Hampshire Fire and Rescue Authority (1%).								
31.	The further detail regarding the Collection Fund Account 2016/17 is contained in Appendix 4.								
HOUSING REVENUE ACCOUNT (HRA)									
32.	The HRA budget for 2016/17 was set at £1.0M surplus which was the actual outturn position for the year. The HRA working balance at 31 March 2017 has increased accordingly to £3M. A surplus was required to partly offset the budgeted loss of income from rents in 2017/18.								
33.	The HRA Business Plan, agreed by Cabinet and Council in February 2012, set a minimum working balance for the HRA each year of £2.0M. The revised HRA working balance at 31 March 2017 exceeds this minimum requirement by £1.0M.								
34.	The table below shows the overall outturn variances compared to the 2016/17 budget:								
	<table border="1"> <thead> <tr> <th></th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Increase in Repairs</td> <td>2.4</td> </tr> <tr> <td>Savings on Supervision & Management</td> <td>(0.3)</td> </tr> <tr> <td>Reduction in Capital Financing Charges</td> <td>(1.3)</td> </tr> </tbody> </table>		£M	Increase in Repairs	2.4	Savings on Supervision & Management	(0.3)	Reduction in Capital Financing Charges	(1.3)
	£M								
Increase in Repairs	2.4								
Savings on Supervision & Management	(0.3)								
Reduction in Capital Financing Charges	(1.3)								

		Income Variation	(0.1)
		<i>Variation on day to day services</i>	0.7
		Reduction in Capital Funding from Direct Revenue Financing and Depreciation	(0.7)
		Total Variation	0.0
35.	The outturn for day to day services was an adverse variance for the year of £0.65M. This variance has been offset by a reduction of £0.65M in the revenue allocated to fund the capital programme.		
36.	After this adjustment, the HRA Revenue Summary, attached at Appendix 5, shows an increase in expenditure of £0.09 (0.12%) and an increase in income of £0.09 (0.11%). An explanation of the main variances can be found at Appendix 6.		
RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
37.	As set out in the report details.		
CONSULTATION			
38.	Although there is no statutory duty to consult, the HRA outturn position noted in this report has been discussed at meetings of the Tenant Resources Group, which comprises tenants from across the city, and their input is acknowledged with thanks.		
<u>Property/Other</u>			
39.	None.		
LEGAL IMPLICATIONS			
<u>Statutory power to undertake proposals in the report:</u>			
40.	The Council's accounts must be approved by Council in accordance with the Accounts and Audit Regulations 2011.		
41.	The requirement to maintain a Housing Revenue Account is set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts is set out in the Accounts and Audit Regulations 2003.		
<u>Other Legal Implications:</u>			
42.	None.		
RISK MANAGEMENT IMPLICATIONS			
43.	None.		

POLICY FRAMEWORK IMPLICATIONS	
44.	The proposals contained in the report are in accordance with the Council's Policy Framework Plan.

KEY DECISION?	Yes/No
WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices	
1.	General Fund Revenue Outturn 2016/17
2.	General Fund Portfolio Variances
3.	Useable Reserves at 31 st March 2017
4.	Collection Fund 2016/17
5.	HRA Revenue Summary Outturn 2016/17
6.	HRA Variance Explanations 2016/17

Documents In Members' Rooms	
1.	
2.	

Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/No

Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No

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)
1.	GENERAL FUND REVENUE BUDGET 2016/17 TO 2019/20 – Council 10 February 2016
2.	

