

Item No.	Classification: Open	Date: 9 February 2010	Meeting Name: Executive
Report title:		Revenue Final Outturn - 2008/09	
Ward(s) or groups affected:		All Wards	
From:		Finance Director	

RECOMMENDATIONS

1. That the Executive notes:
 - the favourable General Fund outturn for 2008/09 and the net contribution to reserves;
 - the Housing Revenue Account's (HRA) outturn for 2008/09 being in line with budget;
 - achievements of budgeted targets for the year for growth, commitments and savings; and
 - the Collection Fund's year-end surplus balance.

BACKGROUND INFORMATION

2. The purpose of this report is to note the council's financial position for the General Fund, the HRA and planned use of reserves and balances for 2008/09. It also reports on specific performance in meeting targets for budget savings and the outturn position on the Collection Account. Any key variations against budget are explained.
3. This report would normally be anticipated around July following the end of the financial year. For 2008/09, this was not possible as the council was awaiting the conclusion of work by the external auditor. This meant that the target for completion of the audit was extended by agreement between the District Auditor and the Finance Director. The extended process and the associated reasons were reported to the Audit and Governance Committee who received regular updates.
4. While the main reasons for the extended audit related to issues of capital accounting principles not directly related to this report, the potential impact of any findings on the contents of this report may have been significant, not least from the need to confirm the accounting treatments for the Canada Water regeneration scheme and especially for the sale proceeds from disposal of the site. Given the complexity of this and, given its potential implications for the viability of future regeneration schemes, the council wished to ensure that the District Auditor had reached an opinion on this matter as it could have affected accounting treatment in the revenue accounts. This matter has now been resolved and did not affect the revenue outturn position. Some adjustments were made to the Income and Expenditure account, but these consequence were reversed out to adjustment accounts.
5. The capital outturn position for 2008/09 was reported to Executive at its meeting on 29th September 2009.

KEY ISSUES FOR CONSIDERATION

General Fund Overall Position

6. In February 2008, Council Assembly set a net budget for the year 2008/09 of £309m. Table 1 below provides an outturn position of net expenditure against budget as at the end of March 2009.

Table 1: General Fund outturn position for 2008/09 at year end

Service	Budget £000	Outturn £000	Variance £000
Children's Services – Core	143,740	143,945	205
Children's Services – DSG	(2,938)	(2,938)	0
Health & Community Services	102,502	103,394	892
Environment & Housing	81,233	81,161	(72)
Regeneration & Neighbourhoods	17,663	17,629	(34)
Major Projects	12,247	11,786	(461)
Deputy Chief Executive	58,724	58,416	(308)
Communities, Law & Governance	14,652	14,927	275
Financial Management Services	18,226	18,267	41
Total for services	446,049	446,587	538
Other operating income and expenditure	(146,258)	(153,452)	(7,194)
Planned contributions to reserves	9,239	9,239	0
Total	309,030	302,374	(6,656)

7. For services, total net budget of approximately £446m was exceeded by £538k. This represents an adverse variation of around less than 0.2%.
8. This was offset by a favourable variance for the year of £7.194m on other operating income and expenditure. After taking into account planned contributions to reserves of £9.239m, the resulting net underspend is £6.656m, which has also been appropriated to earmarked reserves and balances.
9. The favourable variance on other operating income and expenditure arises mainly from returns on investments and a lower than anticipated contribution to the pension fund. Both of these are considered to be one-off events and highly unlikely to be repeated in future years. The net surplus was transferred to general fund balances and earmarked reserves in line with the Medium Term Resources Strategy, and will be used to mitigate against future risks and cost pressures, arising from, amongst others, social care, regeneration and development projects and supporting the modernisation agenda.
10. Commitments of approximately £27.9m were agreed by Council Assembly as part of the approval of the 2008/09 General Fund budget. The outturn position in Table 1 reflects the allocation of these commitments across all council services.

11. As part of the setting of the 2008/09 General Fund budget, the Council committed to a programme of savings and efficiencies in excess of £24.9m. Again, the outturn position reflects the delivery of these targets. There was a shortfall of £0.4m in achievement of the target, representing less than 2% of the total savings target.
12. The Council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained so as to finance calls for expenditure for items that are difficult to predict and that are not included in revenue budgets or within the capital programme. They relate especially to invest to save opportunities that form part of the modernisation agenda and investment in regeneration and development where spend may be subject to unpredictable market and other influences.
13. The allocations to revenue budgets are reflected in Table 1 and were subject to approval arrangements. Reserves were utilised throughout the year and the outturn includes a net appropriation to reserves of £15.895m, being the net favourable variance of £6.656m and the planned contribution of reserves of £9.239m.

Key General Fund pressures

Children's Services

14. Increased pressure on Children's Services budgets for Home to School Transport and Children Looked After Placements was largely offset by a significant one-off windfall in grant received from the Home Office for support provided to asylum seekers in previous financial years. Management action was also taken to delay filling vacancies in non front-line areas of the service and opportunities were taken to maximise the use of specific grant funding wherever possible. Nevertheless, the final outturn shows a minor adverse variance.

Health & Community Services

15. The £0.892m adverse variance is attributable to ongoing demand pressures across Learning Disabilities and Physical Disabilities, with an increase in the number of people requiring learning disability services, and a small number of individual placements with high costs. The actual financial impact of these pressures was higher than the final outturn position because management action during the year was successful in containing the potential level of overspend.

Environment and Housing

16. An underspend of £0.072m within the Sustainable Services division and an overspend of £0.243m within the Culture, Libraries, Learning and Leisure division were the most significant variances within the overall favourable variance of £0.072m for the service. The underspend within Sustainable Services was due mainly to a reduction in waste contract costs resulting from tonnage diversion from landfill to SELCHP and contract performance management. There were also a number of vacancies within the division during the year. The overspend within the Culture, Libraries, Learning and Leisure division was due mainly to the delay in transferring the Surrey Docks Water Sports Centre to Fusion, an overspend on events and underachievement of income from events, and the Education Library Service, which was closed at the end of the financial year.

Regeneration & Neighbourhoods

17. Within the net favourable variance of £0.034m, the service experienced reduced building control fees due to the depressed property market and reduction in property development activities. As a consequence, there was an adverse variance of £0.20m in the planning and transport division. This was, however, offset by a favourable variance of £0.28m in the departmental overhead and business support division, arising from a combination of the vacant Director post, higher than budgeted income from recharges to the HRA and reduced spend on professional fees.

Major Projects

18. The favourable variance of £0.461m was due to reprofiling on major regeneration projects, resulting in underspends on associated legal fees, financial advice, costs associated with compulsory purchase orders, master-planning and stakeholder engagement costs. Across the division, further savings arose from staff vacancies and a reduction in the planned use of external consultants.

Deputy Chief Executive

19. The total favourable variance within the Deputy Chief Executive's department was £0.308m. This included an adverse variance on Revenues and Benefits operational costs, which was offset by year end transfers carried out after the final position on benefits paid and associated subsidy had been established. There were favourable variances in Organisational Development and in the use of consultants. There was a net overspend of £0.449m in Property Services, most of which related to the centralising of various properties under property management responsibility. Property Services was transferred to Regeneration and Neighbourhoods during 2008/09 and has been reported as part of that department from 2009/10.

Communities, Law & Governance

20. The £0.275m adverse variance is largely the result of the under recovery of land charges income in Democratic Services. This is due to both reduced housing market activity and the increase in the use of 'personal searches' over local authority searches as these are cheaper to the individual.

Financial Management Services

21. There were no significant variances within the service.

Housing Revenue Account (HRA)

22. The Housing Revenue Account (HRA) outturn was within budget, after taking account the planned use of reserves of £12.2m.

23. During 2008/09 the HRA has been subject to significant budget pressure, particularly on the operational side within Housing Management, where the demand for mechanical and electrical engineering, voids and reactive repairs continues to run ahead of the resources available. Whilst good progress was made towards managing and containing these pressures, the position was also mitigated by favourable budget movements in rent debit, void loss and leaseholder billing, which effectively mask the underlying budget pressures inherent in the system.

24. It is both prudent and necessary for the HRA to maintain a level of reserves sufficient to meet a range of commitments and financial risks and to mitigate against fluctuations

in income and expenditure year on year. Reserves are held for both specific and general purposes, such as regeneration schemes and service/ operational improvements, as well as financial/economic risks and events beyond the Council's control. During 2008/09, £12.2m (net) was released, principally comprising: Decent Homes works of £7.4m and Housing Subsidy of £4.7m, both of which were pre-planned. Other movements and realignment of reserves has occurred where appropriate following reassessment of commitments and risks for 2009/10. The underlying budget deficit has also been subsumed within the overall HRA balance at year end.

Savings and Efficiencies – 2008/09 Outturn

25. For the General Fund and HRA combined, the Council targets savings and efficiencies of more than £24.9m in 2008/09. These savings were monitored closely throughout the year, as their delivery is important to the achievement of the Council's business plan, and support the delivery of the critical services to residents and businesses. A summary of the outturn position is shown in Table 2 below.

Table 2: Savings and efficiencies as at outturn 2008/09

Service	Budget £000	Outturn £000	Variance £000
Children's Services	(2,471)	(2,471)	0
Health & Community Services	(2,361)	(2,211)	150
Environment & Housing	(2,373)	(2,501)	(128)
Regeneration & Neighbourhoods	(910)	(882)	28
Major Projects	(300)	(300)	0
Deputy Chief Executive	(1,596)	(1,437)	159
Communities, Law & Governance	(270)	(270)	0
Financial Management Services	(540)	(540)	0
Corporate	(1,160)	(1,160)	0
Total for General Fund Services	(11,981)	(11,772)	209
HRA	(12,947)	(12,753)	194
Total savings	(24,928)	(24,525)	403

26. As set out above, the General Fund under achieved planned savings by £0.209m (1.7% of the original target). This was mainly due to a delay in the integration of day care services within Health and Community Services, and underachievement of consultancy savings within the Deputy Chief Executive's department.

27. The HRA had a shortfall of £0.194m against its planned savings (1.5% of the original target). This was due to a loss of income on balances, resulting from a combination of the drop in interest rates in 2008/09 combined with the reducing level of balances.

Collection Fund

28. As a billing authority, the Council is required to maintain a Collection Fund account, which shows the transactions of the billing authority in relation to non-domestic rates

and the council tax, and demonstrates the way in which these have been distributed to preceptors and the General Fund. The Council must also take into account the estimated surplus or deficit on the Collection Fund balance when setting its Council Tax for the following year. The outturn was a surplus of £1.035m for the year, which has increased the surplus balance on the Collection Fund to £3.028m as at 31 March 2009.

Community Impact Statement

29. This report monitors expenditure on council services, compared to the planned budget agreed in February 2008. Although this monitoring report has been judged to have no or a very small impact on local people and communities, the expenditure it is reporting was designed to have an impact on local people and communities, which will have been considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the Council's policies and objectives as set out in Southwark 2016.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2008/09 Revenue Monitoring / Outturn	160 Tooley Street	Chris O'Brien 020 7525 7468

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Dated	29 th January 2010	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	Yes	Yes
List other officers here		
Executive Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	29/01/2010	