

REPORT TO: Cabinet

DATE: 8 July 2010

SUBJECT: General Fund Outturn -2009/2010 Financial Year

WARDS AFFECTED: All

REPORT OF: John Farrell
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To notify Members of the 2009/2010 revenue outturn for the General Fund.

REASON WHY DECISION REQUIRED:

To ensure that Members are aware of the 2009/2010 Revenue Outturn for the Council and to determine whether any specific guidance should be provided to Overview and Scrutiny Committees in considering departmental outturn reports.

RECOMMENDATION(S):

Cabinet is asked to:

- a) Note the 2009/2010 outturn, the portfolio variations, the revised level of balances;
- b) Note that the statutory annual accounts were approved by Audit & Governance Committee on 30 June 2010; and
- c) Note that Cabinet Members and Overview & Scrutiny Committees will receive and review individual departmental outturn reports and to consider whether any specific guidance should be issued to these meetings.

KEY DECISION: No

FORWARD PLAN: Not appropriate

IMPLEMENTATION DATE: Following the call-in period after Cabinet on the
8 July 2010

ALTERNATIVE OPTIONS:

Cabinet could decide not to issue any guidance to Overview and Scrutiny Committees.

IMPLICATIONS:

Budget/Policy Framework: The level of revenue balances restricts the ability to tackle unforeseen events in the current financial year and impacts on budget plans (and Council Tax levels) for future financial years.

Financial: The provisional General Fund Outturn for 2009/2010 indicates a net underspend of £0.021m, compared to the Revised Estimate.

General Fund Balances still remain lower than is ideal for a council of Sefton's size and responsibilities and Members will be aware of the continuing financial pressures facing the Council.

<u>CAPITAL EXPENDITURE</u>	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: Under the Accounts and Audit Regulations 2003, the 2009/2010 Statement of Accounts of all local authorities must be approved by a resolution of the Council or a Committee of the Council by the 30 June 2010. The Audit & Governance Committee approved Sefton's Accounts on 30 June 2010.

Risk Assessment: The availability of adequate levels of General Balances reduces the Council's ability to meet budget pressures in future years and therefore increases the potential financial risks.

Asset Management: Not appropriate

CONSULTATION UNDERTAKEN/VIEWS

All Departments have been involved in the closure of the accounts for 2009/2010.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Closure of Accounts Working Papers

General Fund Outturn 2009/2010

1. Introduction

- 1.1. This report outlines the General Fund revenue outturn for 2009/2010. It does not deal with all of the Authority's accounts (e.g. Balance Sheet etc), details of which were included in the statutory Statement of Accounts report, which was considered and approved by the Audit & Governance Committee on 30 June 2010.

2. Summary of Outturn figures 2009/2010

- 2.1. The closure of the Authority's accounts has been completed. The outturn figures for 2009/2010 are presented in more detail in the following sections but can be summarised as follows:

Revenue Account 2009/2010	Schools £m	Non-Schools Services £m
Budgeted Balances at 31 March 2010	14.591	3.640
Plus Schools Delegated Budget Overspend 2009/2010	-2.615	-
Transfer of closed school balances	-0.185	-
Plus Non-Schools Net Underspend	-	0.021
Provisional Unallocated Balances at 31 March 2010	11.791	3.661

3. Schools Delegated Budgets Outturn 2009/2010

- 3.1. The total overspend on schools delegated budgets for 2009/2010 was £2.615m. The closure of Bootle High School has resulted in their remaining balances being transferred to accumulated earmarked reserves. Consequently, schools retained balances now stand at £11.791m; this represents 7.9% of schools 2010/2011 delegated budgets.
- 3.2. The Sefton Schools Forum developed a review scheme in 2009/10 for the potential re-distribution (within the delegated schools budget) of excessive school balances. The agreed threshold for a review of a school's finances to be undertaken is where balances are above 5% of the annual budget, for a secondary school, or 8% for a primary school. A number of school spending plans were reviewed during the year to identify the reasons for retaining the balances. No resources were re-distributed during the year. The review scheme is now part of an annual process to assess resources available to schools.

4. **Non-Schools General Fund Outturn 2009/2010**

- 4.1. The Original Estimate for 2009/2010 estimated that balances for non-school budgets would total £3.640m at 31 March 2010; this assumed that balances would increase by £0.500m. The outturn for 2008/2009 shows that a net underspend of £0.021m has been achieved against this budget i.e. increasing the level of General Fund Balances to £3.661m.
- 4.2. Within this overall net underspending, there have been a number of significant variations in individual services. The table below highlights some of the major variances compared to the Revised Estimate: -

Service Area	Para. Ref.	Over-spend £000	Under-spend £000	Net £000
Children's Services	4.3 (a)	1,523		
Health & Social Care	4.3 (b)	145		
Specialist Transport Unit	4.3 (c)	1,305		
Corporate Services	4.3 (d)		1,169	
Communities	4.3 (e)		345	
Environmental Protection and Cleansing Services	4.3 (f)		1,486	
Technical Services	4.3 (g)	324		
Debt Repayment / Net Investment	4.3(h)		464	
Net Application of Earmarked Reserves	4.3 (i)	422		
Other Net Variations			276	
		3,719	3,740	
Total Net Overspending on General Fund Services				-21

- 4.3. The following provides brief comments from the relevant service director on some of the major variances highlighted above:-

a) **Children's Services (+£1.523)** Expenditure on looking after children in local authority care exceeded budget provision by £2.923m. Nearly £2m of this overspend was accounted for by the costs of independent fostering placements but other related areas, including residential placements and the provision of care packages for disabled children, continued to place additional unavoidable financial commitments on the service. These commitments, which had been closely monitored, and therefore predicted, throughout the year, resulted in the need to identify mitigating savings elsewhere in the budget. Savings were achieved primarily by using specific non ring-fenced grants such as Area Based Grant (£0.566m) to fund expenditure that would otherwise have been attributed to core budgets. Additional savings were generated

from an underspend on Premature Retirement costs (£0.224m) and from spending restrictions on day to day consumables (also in excess of £200,000).

Members will be aware that as part of the 2010/11 budget process, additional resources were allocated to Children's Schools and Families to specifically address the under-provision in looked after children budgets.

- b) **Health & Social Care (+£0.145m)** The Community Care budget in 2009/10 has continued to suffer from demand led pressures, with practically all cases being presented to Panel being of a critical nature and the value of cases that are authorised under the Council's statutory duty, continuing to exceed budgetary provision (+£0.448m). Budget monitoring statements have identified the problem throughout the year and the Strategic Director has sought to identify areas to assist in offsetting the overspend on Community Care Services. Employee savings have been achieved over and above the vacancy target (-£0.072m), income targets have been exceeded (-£0.125m) and a contribution has been made from the Careline operation (-£0.139m) resulting in a net directorate overspend of £0.145m for 2009/10.

The Community Care Services budget for 2010/2011 has been increased to reflect growing demand, however, this budget will once again require close monitoring during the year, coupled with the continuation of high level budgetary control measures, with regard to frequency and authorisation of Panel approvals.

- c) **Specialist Transport Unit (+£1.305m)** Service User numbers have remained flat compared to 2008/09, however, the complexity and work load has continued to increase. The number of Wheelchair Service Users has increased by 16.5% and the use of Taxi/Private Hire vehicles increased by 24% compared to last year, whilst the remainder has reduced by 6%. These numbers equate to an overall increase in workload/activity of 8% but with a significantly higher financial impact, as the additional activity used the most expensive resources. For example, SEN commissioned additional Taxi/Private Hire work valued at c£40k in the north of the borough during January, February & March alone.

Operational Management continued to spend significant time addressing the more efficient and effective use of resources. The implementation of these plans was restricted due to the long term illness and subsequent early retirement of the Head of Operations. The new Head of Service did not start until September.

New Taxi contracts were negotiated during the summer but the overall spend on Taxi/Private Hire has remained flat due to the increased activity outlined above.

A new management software package has been purchased and during 2010/11 will be implemented through a restructuring of the management team. The introduction of streamlined management processes will deliver the commissioned transport in the most cost effective and efficient way achievable.

- d) **Corporate Services (-£1.169m)**

The most significant variation within the portfolio was the reduced net cost of Housing Benefit. This was partly due to improved performance in 2009/10 on error rates for

overpayments, which enables 100% subsidy to be received (£0.377m). Also, work done by avarto in identifying changes in rent officer determinations which now provides 60% subsidy – as opposed to 0% subsidy previously (£0.894m) Finally, the release of reserves (£0.244m) was agreed during the year to support the Council's overall budget position.

e) Communities (-£0.345m)

The underspend is largely attributed to the agreed in-year saving from delaying the implementation of the staffing for de-centralised Area Management.

f) Environmental Protection and Cleansing Services (-£1.486m) - The large underspend identified in 2009/10 can be itemised into a number of key areas:

The Council's spending freeze during the year has led to a reduction in staff recruitment, thereby over achieving the Department's vacancy savings target (-£0.428m). In addition, general spending on Supplies and Services and Agency costs have also reduced due to the freeze (-£0.485m).

A surplus on the Recycling account (-£0.306m) was due to careful Contract Management for kerbside waste collection, an increase in income levels through claiming recycling credits (from the Merseyside Waste Disposal Authority) and from sales of reprocessed materials in the year. Members should note that these figures can fluctuate with the tonnages of dry recyclables collected and the quality of the materials.

The Building Cleaning section has achieved a surplus against it's budget (-£0.267m) due to a slight increase in charges and in gaining some new schools contracts during the year following tender procedures.

g) Technical Services (+£0.324m) The overspend identified may be itemised over a number of key areas :

Gritting of the highway, both carriageways and footways is a statutory duty, hence expenditure has to be incurred as required. Despite a mild start to the "Gritting Season" the savings of this period were more than offset by the severe weather throughout December and at the start of 2010. As a result, the Winter Maintenance budget has overspent by more than £213k.

Car Parking income has underachieved against budget (£429k) for a number of reasons mainly due to reduced demand for parking due to the extremely severe weather conditions experienced in the final quarter of the financial year and the continued impact of the recession as a result of which free parking promotions have been provided to encourage the use of local shopping areas. Parking levels were over 30% lower than 'the norm' during this period. Action to address this has been taken and the Kew Park and Ride service ceased in late February and the site was mothballed.

Reductions of -£0.750m were achieved in general spending on highways maintenance due to the Council's spending freeze and also to contribute to reducing the potential overspend.

As part of 2007/08 accounts and 2008/09 budget monitoring it was identified that the Department had income budgets which could not be achieved. The 2009/10 budget allowed for significant growth to address this but finalising the budgets to take account of the Major Service Review has resulted in a shortfall of income against budget of £382k; the Department had transferred its main income generating services to Capita Symonds it was not possible to generate further income to offset the expected shortfall. This management of this issue in the longer term is currently considered.

h) **Debt Repayment / Net Investment (-£0.464m)** The increased return on investments was due to a combination of higher than anticipated cash balances and a number of longer term investments attracting higher rates of interest.

i) **Earmarked Reserves (£0.422m)** The principal reason for this overspend was the need to set aside resources as a provision for bad debts and court costs.

- 4.4. As in previous years, individual portfolio outturn figures will be reported to each Cabinet Member and to the relevant Scrutiny and Review Committee. It is proposed that available operational performance data will be included alongside the financial information to provide a more comprehensive assessment of performance in 2009/2010
- 4.5. Cabinet is asked to consider whether any recommendations or guidance should be issued to the Scrutiny and Review Committees.

5. **Recommendations**

Cabinet is asked to:

- a) Note the 2008/09 outturn, the portfolio variations, the revised level of balances;
- b) Note that the statutory annual accounts were approved by Audit & Governance Committee on 30 June 2010; and
- c) Note that Cabinet Members and Overview & Scrutiny Committees will receive and review individual departmental outturn reports and to consider whether any specific guidance should be issued to these meetings.

SUMMARY OF GENERAL FUND ACTUALS 2009/2010

Line Ref Portfolio	Revised Estimate 2009/2010 £	Outturn 2009/2010 £
1 Children's Services	58,452,400	62,590,461 *
2 Communities	3,042,750	2,697,949
3 Corporate Services (Incl STU)	13,502,600	13,638,164
4 Environmental	18,003,900	16,518,276
5 Health and Social Care	82,978,650	83,123,636
6 Leisure & Tourism	19,423,850	19,412,068
7 Licensing	17,850	17,850
8 Performance	746,600	614,312
9 Planning	2,637,950	2,730,365
10 Regeneration	12,756,900	12,709,121
11 Technical Services	17,388,150	17,711,998
12 Net Cost of Services	228,951,600	231,764,200
13 Less Capital Charges	-14,728,121	-14,709,791
14 Debt Repayment / Net Interest	14,125,000	13,661,025
15 Capital Chargeable to Revenue	95,000	95,000
16 Sub total	228,443,479	230,810,434
17 Levies	36,421,751	36,421,751
18 Application of Provisions / Reserves	-415,329	206,872
19 Capitalisation	-1,000,000	-1,002,457
20 LABGI	0	-207,623
21 Area Based Grant	-27,211,606	-27,211,607
22 Total	236,238,295	239,017,370
23 Contribution to GF Balances	500,000	335,960
24 Contribution to Schools' Balances	0	-2,615,035
25 Total Budget Requirement	236,738,295	236,738,295
26 Add Parish Precepts	980,240	980,240
27 Total Net Expenditure	237,718,535	237,718,535
<u>SUMMARY OF BALANCES</u>		
<u>General Fund</u>		
28 Balances Brought Forward	3,140,304	3,140,304
29 Contribution in Year	500,000	335,960
30 Transfer of Balances re. Closed Schools	0	184,597
31 Balances Carried Forward	3,640,304	3,660,861
<u>Schools</u>		
32 Balances Brought Forward	14,590,318	14,590,318
33 Contribution in Year	0	-2,615,035
34 Transfer of Balances re. Closed Schools	0	-184,597
35 Balances Carried Forward	14,590,318	11,790,686

* Includes Schools' Overspend of £2,615,035