

Reasons for the Recommendation:

To ensure Cabinet are informed of the revenue outturn position for 2011/2012 and to seek approval to reserve the identified underspend; and to inform Members of the latest position on the achievement of savings for 2012/2013.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no financial costs as a result of this report. The identified underspend from 2011/2012 will provide the opportunity to establish / increase provisions for potential costs. In addition, it will enable further one-off resources to be set-aside to assist the transformation process.

Any under-achievement of the 2012/2013 agreed savings will need to be financed from the Council's earmarked reserves. Any usage of these reserves will reduce the amount available to support the phased introduction of savings in future years.

(B) Capital Costs

None.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal		
Human Resources	None	
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT (FD1714) and Head of Corporate Legal Services (LD1034/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following call-in.

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Background Papers:

Closure of Accounts working papers 2011/2012.

1. Introduction

- 1.1 This report considers two issues: the required increase in specific provisions and reserves in light of known liabilities which should be addressed as part of the Revenue Outturn position for the year ended 31 March 2012 and identifies the latest position on the achievement of savings for 2012/2013.
- 1.2 The General Fund outturn position for the 2011/2012 financial year is presented, which highlights the major variations compared to the budget and identifies an overall revenue underspend position. The report requests Cabinet to approve the proposed transfer of the non-school revenue underspends to specific provisions and reserves. The increase in liability and risk identified during 2011/2012 requires a further increase in certain provisions and reserves. This will mean these items do not require increased budgetary provision in future years which would have increased the level of savings required.
- 1.3 The remainder of the report identifies the latest position regarding the achievement of the approved savings for 2012/13.

2. General Fund Revenue Outturn 2011/2012

- 2.1 The Council has completed the closure of the Authority's accounts for 2011/2012; PricewaterhouseCoopers are currently auditing the figures. The agreed Statement of Accounts will be presented to Audit and Governance Committee on 26 September 2012, at the conclusion of the audit.
- 2.2 The outturn figures for 2011/2012 are presented in more detail in the following sections but can be summarised as follows:

Revenue Account 2011/2012	Schools £m	Non- Schools Services £m
Budgeted Balances at 31 March 2011	14.460	3.687
Plus: Schools Delegated Budget Underspend 2011/2012	6.054	-
Less Transfer of Balances relating to Academies	-2.700	-
Plus Non-Schools Net Underspend	-	0.024
Provisional Unallocated Balances at 31 March 2012	17.814	3.711

3. Schools Delegated Budgets Outturn 2011/2012

- 3.1 The underspend on schools delegated budgets for 2011/2012 was £6.054m. However, during 2011/2012 seven secondary schools transferred to academy status. Balances of £2.700m relating to these schools were transferred to the new academies. Consequently, schools retained balances now stand at £17.814m; this represents 9.1% of schools 2012/2013 delegated budgets.
- 3.2 The Sefton Schools Forum previously agreed a scheme to review excessive school revenue balances above the agreed thresholds. Where balances are above 5% of the annual budget, for a secondary school, or 8% for a primary or special school, the schools submitted a pro-forma identifying the planned use of the surplus balances over the current funding cycle. A number of school spending plans were also further reviewed by a working group of the Schools Forum to clarify the reasons for retaining the balances. However, as all schools were able to demonstrate robust plans for the committed use of the surplus balances, no resources were clawed back and re-distributed.
- 3.3 The Government made recommendations within a revised Scheme of Delegation for local authorities, to relax or omit any school balances control mechanism from April 2011. However Sefton Schools Forum agreed to continue to have a school balances control mechanism and to increase the level of permitted balances to 8% of the annual budget for a secondary school, or 12% for a primary or special school in recognition of the tighter financial climate currently faced by the schools, but agreed to continue to robustly review school balances as part of the annual process for 2012/13.
- 3.4 As mentioned above, the level of school balances has increased in 2011/2012 by £6.054m. Increases in school balances have also been identified nationally due to:
- The reduction in the level of Devolved Formula Capital funding has meant that schools will now have to contribute from revenue balances to support any future capital schemes;
 - The impact of budget savings on local authority budgets has meant that schools now have to buy additional services no longer offered by the Council; and
 - Schools have been extremely cautious over spending in 2011/12 due to the uncertainty of the economic climate and the Government's announcement of the proposed introduction of a new national school funding formula in the next spending review period.

4 Non-Schools General Fund Outturn 2011/2012

- 4.1 The Original Estimate for 2011/2012 estimated that balances for non-school budgets would total £3.687m at 31 March 2012; i.e. the assumption was that balances would not increase. The outturn for 2011/2012 shows that a net underspend of £0.024m has been achieved against this budget i.e. increasing the level of General Fund Balances to £3.711m. However, this position assumes the proposed use of £5.804m to increase provisions and reserves; Cabinet is asked to consider this later in the report.
- 4.2 Within this overall net underspending, there have been a number of significant variations in individual services. The major variances are highlighted in the following paragraphs: -

- a) **Young People and Families** – There was an overall underspend on this service area. The major variations included an underspend on the Connexions service (-£0.327m), Pay Progression costs being re-aligned with Dedicated Schools Grant (-£0.340m), underspends on the Graduate Leader Programme (-£0.200m) and Early Years service (-£0.188m). The Children’s Centre Review was implemented part way through 2011/2012. The anticipated reduction in the saving achievable in the year was to be funded from one-off resources. However, due to the underspends in other service areas the utilisation of reserves to fund the shortfall (£0.583m) wasn’t required.
- b) **Older People** - The Community Care budget continued to face additional demand pressure during the year, resulting in an overspend of £1.311m. However, the Council received additional income from NHS Sefton for Re-Enablement Services which enabled costs to be contained within budget.
- c) **Health and Wellbeing** –Premises budgets underspent by some £0.411m, mainly due to underspends on utilities costs. Sports income was significantly higher during the year (£0.382m), whereas other income budgets, notably Arts and Cultural Services and Libraries were down by £0.241m.
- d) **Built Environment – Environment** – There were two main areas that underspent; Employees (-£0.127m) and Supplies and Services (-£0.180m).
- e) **Built Environment – Investment Programme and Infrastructure** – There were two main area that underspent; Employees (-£0.111m) and NNDR on Admin. Buildings and Car Parks (-£0.290m). However, there was a shortfall on income received on Other Properties and Estates (£0.183m).
- f) **Built Environment – Planning** – The service underspent by £0.387m mainly on employee costs (-£0.124m) and Land Charges income (-£0.095m). It should be noted that this underspend has been reserved to fund the additional costs of developing the Council’s Core Strategy in 2012/13.
- g) **Street Scene – Direct Services** – The main area of overspend was due to the Specialist Transport Unit (+£0.883m), where demand pressures have continued. The introduction of a new route planning system and other service efficiencies were introduced during 2011/12 to help reduce expenditure levels. A significant underspend on Recycling Collection costs was achieved due to the award of a new contract during 2011/2012 (-£1.165m). There were a number of other underspends in this area including Employees (£-0.321m), Merseyside Waste Disposal Authority Recycling Credits (-£0.182), Other Recycling costs (-£0.181m) and the Catering Service (-£0.124m).
- h) **Street Scene – Landscape Services** – There were a number of underspends in this area including Employees (£-0.279m) and Registrars Income (-£0.137m).
- i) **Corporate Support Services – Corporate Finance and ICT** - The net income from Housing Benefit Subsidy was £0.667m higher than anticipated in the budget; this was partly due to the efforts of Arvato / Client team in implementing changes which enabled maximum subsidy to be received.
- j) **Corporate Support Services – Personnel** – There was an underspend of £0.176m on Learning and Development.

- k) **Corporate** – The Council has incurred additional legal costs of £0.193m due to a claim made against the Council.
- l) **Debt Repayment / Net Investment** - There was an underspend of £1.805m on debt repayment / net investment during the year. This was the result of better investment returns on temporary monies held by the Council and particularly the lower than planned need for borrowing from the Public Works Loan Board.

4.3 The overall underspend for the Authority could have increased General Balances to £9.515m. Such balances are normally viewed as being “untouchable” as they are there to provide a “back-stop” for the Council for unexpected financial consequences. However, there are a number of areas which have been identified during 2011/2012 that are expected to result in future costs for the Authority. **Provision for these costs would therefore need to be made as soon as possible.** In light of the current position of needing to find savings of £43m over two years it is recommended that resources are set-aside following the underspend in 2011/2012 so that these costs will not impact on the level of future required saving levels. It is therefore recommended that the following transfers to provisions / reserves are made:

- a) **Sundry Debts Bad Debt Provision - £1.845m** – Sefton’s external auditors recommended in September 2011 that the provision needed to be increased in view of the age of some of the debt outstanding. Audit and Governance Committee on 28 March 2012 recommended that the Council move towards achieving the target level as resources allow. The increase proposed achieves this target in full.
- b) **Claims against the Council - £1.667m** - The Council currently has a £1.000m provision to cover these potential costs. Current legal advice suggests this provision should be increased to cover the potential costs of the claims and the associated legal costs.
- c) **Contamination Costs - £1.500m** – During 2011/2012 it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. It is therefore considered prudent to set resources aside to cover these potential costs.
- d) **Strain on the Fund Pension Costs - £0.792m** – Given the scale of savings required by the Authority over the next two years there will be pension costs associated with early retirements. It is therefore proposed to fund the costs incurred in 2011/2012 from the underspend rather than by utilising the reserve available for this purpose. This will mean that this reserve is available to fund the future costs rather than requiring other resources to be identified.

The overall impact of these changes is to reduce the in-year underspend from £5.828m to £0.024m.

5 Approved savings for 2012/13 – Current position

5.1 Council approved the 2012/13 Revenue Budget on 1 March. This included the requirement to achieve savings of £20m; of this amount £2.5m was financed as a one-off from Council reserves. The remainder of the saving comprised of a large number of amendments to individual service areas. In order for the Council to remain within its financial budget for the year, it is essential that as much of the identified saving areas

are actually achieved during the year. It is therefore important that officers and Members are kept up to date on the achievement of the agreed savings.

5.1.1 The table at **Annex 1** identifies the current position of the agreed savings for 2012/13. As with last year's update reports, they have been analysed into four categories i.e. "Achieved" (Blue), "Progress is Satisfactory" (Green), "Review is scheduled to commence at a later date - outcomes unknown and risk of savings not being fully achieved" (Amber) and "Known shortfalls or significant risks that savings will not be achieved" (Red). This approach is designed to ensure complete transparency, effective risk management and improved consultation and engagement.

5.2 It should be noted that individual savings may be categorised into more than one area; for example, part of the work to achieve a required saving may be on track (and a value can be shown in Green), whilst another element is potentially at risk (and therefore shown as Amber).

5.3 A summary of the current position is shown below: -

	£m
Achieved to 31 July 2012	8.082
Progress is satisfactory (Green) (B2)	6.278
Review scheduled/risk of saving not being fully achieved (Amber)	3.157
Known shortfalls/significant risk of saving not being fully achieved (Red)	3.256
Total Approved Savings	20.773