

**Report to:** Cabinet

**Date of Meeting:** 12 September 2013

**Subject:** 2012/13 Revenue Outturn Position and Transfer to Reserves /  
General Balances

**Report of:** Head of Corporate Finance & ICT **Wards Affected:** All

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** Yes

**Exempt/Confidential** No

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### **Purpose/Summary**

To inform Cabinet of the revenue outturn position on the 2012/2013 General Fund, to approve the transfer to earmarked reserves and the increase in General Balances.

### **Recommendation(s)**

Cabinet is recommended to approve the transfer of £3.0m of the 2012/2013 General Fund revenue underspend to increase certain earmarked reserves as set out in paragraph 4.3 of the report, and to increase the level of General Balances by £2.865m.

### **How does the decision contribute to the Council's Corporate Objectives?**

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

### **Reasons for the Recommendation:**

To ensure Cabinet are informed of the revenue outturn position for 2012/2013 and to seek approval to reserve part of the identified underspend; and transfer the remainder to General Balances.

## 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 2012/2013 will provide the opportunity to establish / increase provisions for potential costs. In addition, it will enable the establishment of the £1m Capital Priorities Fund and allow General Reserves to increase from £3.711m to £6.576m. This will improve the overall financial viability of the Authority for the coming years, when further reductions in expenditure are expected.

### (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:

<b>Legal</b>		
<b>Human Resources</b>	None	
<b>Equality</b>		
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 (FD2525/13) and Head of Corporate Legal Services (LD1830/13) 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:

None

## **Overview**

The financial year 2012/13 was the third year of reducing resources by £64m, and will be followed by a further two years of a financial plan which makes further real term reductions of £50m.

The Council has used 2012/13 to deliver service efficiencies and reductions. Running in parallel to the achievement of the 2012/13 financial targets was the preparation, and early implementation of changes to achieve the 2013/14 and 2014/15 budgets.

Officers have been diligent in the management of resources and this has given the Council £2.5m of early savings which can contribute to earmarked reserves / balances to assist the Authority phase in savings in coming years.

The Chancellor, in the June 2013 Spending Review has indicated that the resources available to Sefton for 2014/15 will be reduced even further than is currently planned for. Initial assessments indicate that a further £1.4m of savings will be required, compared to the December 2012 forecast of the DCLG. This, along with falling NNDR receipts, leaves the Council shortfall on the 2013-15 financial plan of £2.5m.

Cabinet is recommended to allocate the over-achievement of 2012/13 savings and the effect of the early implementation of 2013/14 saving options identified in the report to general reserves to fund the new shortfall in the 2013/15 financial plan.

## **1. Introduction**

- 1.1 The General Fund outturn position for the 2012/2013 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 earmarked reserves, and also to provide for a much needed increase in General Balances. The increase in potential liabilities, risks and uncertainties in the achievement of all agreed savings identified during 2012/2013 requires a further increase in certain earmarked reserves.

## **2. General Fund Revenue Outturn 2012/2013**

- 2.1 The Council has completed the closure of the Authority's accounts for 2012/2013; the external auditors, PricewaterhouseCoopers, are due to commence their audit in early July 2013. The agreed Statement of Accounts will be presented to Audit and Governance Committee on 25 September 2013, at the conclusion of the audit. The Statement of Accounts will be submitted to PricewaterhouseCoopers on 30 June 2013.
- 2.2 The outturn figures for 2012/2013 are presented in more detail in the following sections but can be summarised as follows:

<b>Revenue Account 2012/2013</b>	<b>Schools £m</b>	<b>Non- Schools Services £m</b>
Actual Balances at 31 March 2012	<b>17.814</b>	<b>3.711</b>

Less: Schools' Delegated Budget Net Overspend 2012/2013	-0.500	-
Plus Non-Schools Net Underspend	-	2.865
<b>Provisional Unallocated Balances at 31 March 2013</b>	<b>17.314</b>	<b>6.576</b>

### 3. Schools' Delegated Budgets Outturn 2012/2013

- 3.1 The schools closing balances for 2012/2013 are £17.314m and this represents 9.31% of schools 2012/2013 delegated budgets. Overall school balances reduced by £0.500m within the last financial year.
- 3.2 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.
- 3.3 Schools balances are examined each year by a sub group of the Schools Forum, to ensure balances are not excessive. Schools Forum decided that where balances are above 12% of a Primary or Special schools' annual budget, or 8% for a Secondary school, these would be examined, and a special pro forma is supplied to each school having balances which meet this criteria, with a request for them to explain how they intend to use the excess in their spending plans going forward.
- 3.4 Following the last exercise to examine balances, conducted in June 2012, the schools contacted were able to demonstrate robust plans for the committed use of surplus balances and no resources were clawed back for re-distribution. Schools Forum has agreed to continue to robustly review school balances as part of the annual process for 2013/14.
- 3.5 As mentioned above, the level of school balances has reduced in 2012/2013 by £0.500m.
- This reduction of £0.500m is a relatively small change in the level of balances overall, compared with the large increase in balances of over £6m in 2011/2012. By sector however, Primary schools have reduced their balances in 2012/2013 by £0.768m; Special schools have reduced theirs by £0.154m; whilst Nursery and Secondary schools have increased balances overall of £0.422m.
  - With the impact of savings on local authority budgets in some instances, schools have had to buy additional services no longer offered by the Council.
  - 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.
  - Some schools had planned the use of some of their balances (brought forward from 2011/2012) and spent them in 2012/2013, whilst others have had to draw on balances to help them through restructures or to make recommended improvements.

#### 4 **Non-Schools General Fund Outturn 2012/2013**

- 4.1 The Original Estimate for 2012/2013 estimated that balances for non-school budgets would total £3.711m at 31 March 2013; i.e. the assumption was that balances would not increase. The outturn for 2012/2013 shows that a net underspend of £2.865m has been achieved against this budget, i.e. increasing the level of General Fund Balances to £6.576m. This position also assumes the proposed transfer of £3.000m to increase certain earmarked reserves; Cabinet is asked to consider this later in the report.
- 4.2 In line with previous practice, savings agreed by the Council in October / November 2012 for future years, were approved for immediate implementation. This has led to an overachievement of the savings targets in some areas in 2012/13 (in order to achieve the targets for 2013/14).
- 4.3 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) **Corporate Commissioning** – The net underspend on this service of £0.310m. The major variations were:

An underspend on grants to voluntary bodies of £0.080m.

Underspends against supplies and services and additional income received within Business Intelligence & Performance (£0.083m).

An underspend within Members' Administration of £0.175m; this largely relates to the saving made against Members Allowances which has been built into the budget from 2013/2014.

- b) **Corporate Services** - The net underspend on this service of £0.542m. The major variations are:

An underspend against employee costs budgets and additional recharges to capital within the Legal Department (£0.180m).

Accumulated external funding from previous years, related to staff development and training within People Development, has been returned to the revenue budget in order for the Council to direct its future use for generic purposes (£0.220m). Underspensing has also occurred on employees and training costs (£0.113m).

- c) **Young People and Families** – There was an overall underspend on this service area of some £1.606m. The careful management of the budget has contributed to reduced costs for this area. This is in line with policies agreed by Council in March 2012 and will also help in the current year financial position. Such resources will be available to be directed to areas of greatest need.

The major variations included an underspend on Children in Need placements and care packages of £0.858m, which was as a result of careful commissioning, more robust placement strategies and a reduction in use of agency fostering placements due to the investment in creating additional internal Foster Care arrangements within the Borough.

The Specialised Transport budgets are managed by the Street Scene Department on behalf of Children's Services and Adult Social Care. Both services show an overspend; a review is seeking to improve the commissioning of transport, and also improving budgetary control, within the Specialised Transport Unit in 2013/2014.

Underspends were also achieved in Early Intervention and Prevention 11+ services of £0.238m; Targeted Youth Support £0.251m; Schools Improvement service £0.224m; Other Learning and Support services £0.334m; unused inflation and growth on children's social care £0.807m. Some areas of overspending included Residency and Special Guardianship orders of £0.297m; Looked After Children £0.220m and the costs of Specialised Transport £0.500m.

- d) **Older People** - The overall net position for the service was an underspend of £0.892m the major variations of which are as follows:

Areas of underspending included the following: -

Due to a combination of factors, the Community Care budget underspent by £1.670m. A rigorous exercise to reclaim surplus, unspent Direct Payment funds; identification of income owing to the Council acting as Appointee for certain service users and some savings on Community Care projects in anticipation of future year savings options.

The Council also received £0.706m of additional funding from NHS Sefton to assist with Winter Pressures commitments and to fund the Single Point of Assessment Team.

The employee budgets underspent by £0.550m mainly as a result of voluntary early retirements and posts being held vacant to assist with savings options agreed for the next two years.

There were however, a number of areas of overspending: -

As reported to Cabinet in December 2012 there was an anticipated shortfall on the level of saving required in relation to the Supporting People programme for the year, resulting in an overspend on this budget of £1.375m.

Another significant variation for the year was an overspend of £0.927m on the Specialist Transport Unit recharge for the transportation of service users to Day Care facilities.

As stated above, the Specialised Transport budgets are managed by the Street Scene Department on behalf of Children's Services and Adult Social Care. Both services show an overspend; a review is seeking to improve the commissioning of transport, and also improving budgetary control, within the Specialised Transport Unit in 2013/2014.

In approving the Budget for 2013/2014 in February 2013, Council acknowledged that any overachievement of the savings target for 2012/2013 would be available to help balance the budget in 2013/2014, should there be any shortfalls in budget saving targets.

e) **Health and Wellbeing** – There was an overall underspend of £0.791m on this service, the main variation being in relation to premises budgets. Expenditure on utilities was £0.612m less than budgeted – as part of the MTFP savings exercise there is a £0.200m reduction in this budget area in 2013/2014. The repair and maintenance budgets across all leisure facilities were underspent by £0.117m, as only urgent works and essential health & safety work was undertaken, this however, cannot be sustained in the long term and proactive maintenance will have to be undertaken to ensure the facilities are fit for the customer.

f) **Built Environment** – There was a net underspend of £0.014m on services within this Department, the main variations being as follows:

As a result of the relatively harsh winter, the budget for winter maintenance (predominantly road gritting) was overspent by £0.201m.

Car parking income was lower than the budgeted with a total £0.433m shortfall reported. However, £0.200m of this shortfall had already been anticipated at the start of the financial year with the resultant agreement to fund this from central reserves. The remaining £0.233m income shortfall was partly offset by underspends elsewhere within the parking budget (notably an underspend of £0.172m on supplies and services budgets).

Savings on vacant posts contributed to underspends on some employee budgets, These included underspends of £0.251m within the Environment and Planning budgets. There were further underspends on Environment supplies and services budgets of £0.129m.

Additional income for room hire at the Southport Theatre and income generated from conference facilities contributed £0.104m in excess of budgeted levels. Excess income from events also produced an underspend (£0.090m).

g) **Street Scene – Direct Services** - There was an overall underspend of £0.917m on this service. Street Cleansing was underspent by £0.561m which was mainly due to a reduction in employee spend pending introduction of new working practices in 2013/2014 to achieve approved savings. Recycling was underspent by £0.565m because a number of recycling services now form part of the new core recycling contract. These budgets have now formed part of the savings approved for 2013/2014. Also, there was an additional surplus due to increased recycling credits from green waste.

h) **Street Scene – Landscape Services** – There was an overall underspend of £0.448m on this service. There were a number of underspends in this area including Employees (£0.196m) and Cemeteries and Crematoria Additional Income (£0.297m).

i) **Debt Repayment / Net Investment** - There was an underspend of £1.106m 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.

j) Other areas where there are variations to the budget include an additional contribution to the Housing Benefit Bad Debt Provision of £0.350m and a contribution to the costs of the Atkinson Centre of £1.050m (previously reported to

Cabinet). In addition, the Council has received VAT Shelter monies during the year totalling some £0.650m (arrangement with One Vision Housing). Members should note that, over the next two years, the Council has agreed that the VAT shelter monies will be used to fund the budget shortfall. In the current year, it has been used to support the ongoing pension costs for the ex-Council staff now working with OVH.

4.4 As a result of the above underspending, it is therefore recommended that the following transfers to provisions / reserves are made:

- a) **Capital Priorities Fund - £1.000m** – Council on 28 February 2013 agreed to the establishment of a new one-off fund to invest in Council priorities including town centres, youth employment and local economy. This is to be funded from the resources transferred back to revenue following the settlement of outstanding legal claims at a figure below the provision made.
- b) **Business Rates Appeals / Reduction in Income - £1.200m** – From 2013/2014 the Council will retain 49% of Business Rates paid in the Borough. The Council has budgeted for a level of receipts in 2013/2014 and 2014/2015 but there is a risk that this income will not be achieved due to the potential impact of appeals and current economic situation. It is considered prudent to set-aside resources to offset the potential loss of income.
- c) **Strain on the Fund Pension Costs - £0.800m** – 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 some of the costs incurred in 2012/2013 from the underspend rather than by utilising all of 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.

4.5 Council on 28 February 2013 agreed to the establishment of a new one-off **Community Transition Fund of £1.000m**. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self sustaining. This was to be funded from one-off resources that had previously been earmarked to support the likely shortfall in 2012/2013 budgeted savings. However, this shortfall has been funded from other underspends in the year meaning the resources are available to create the Fund. Therefore this transfer has no impact on the in-year underspend.

4.6 Elsewhere on the agenda, is a report which identifies the latest position on the achievement of agreed budget savings for the two-year budget plan (2013/2014 and 2014/2015). Specifically, the report identifies a number of risks associated with the delivery of a number of those savings. This emphasises the importance of having sufficient levels of reserves to enable the Council to manage its budget effectively, in the event of any shortfall. For example, an underachievement / slippage of 5% on the two-year financial plan would result in the need to identify £2.5m of additional resources. Members should also note the future financial risks associated with the introduction of the Council Tax Reduction Scheme and the new arrangements for National Non-Domestic Rates. The importance of maintaining reserves at adequate levels cannot be over-emphasised.



4.7 The overall impact of these changes is to reduce the in-year underspend from £5.865m to £2.865m. The table below summarises the position: -

	<b>£m</b>
Corporate Commissioning	-0.310
Corporate Services	-0.542
Young People and Families	-1.606
Older People	-0.892
Health and Wellbeing	-0.791
Built Environment	-0.014
Street Scene – Direct Services	-0.917
Street Scene – Landscape Services	-0.448
Debt Repayment / Net Investment	-1.106
Housing Benefit Bad Debt Provision	0.350
Atkinson Centre overspend	1.050
VAT Shelter receipts	-0.650
Other Net Variations	0.011
<b>Net Underspend on Services</b>	<b>-5.865</b>
Transfers to Earmarked Reserves:	
Capital Priorities Fund	1.000
Business Rates Appeals / Reduction in Income	1.200
Strain on the Fund Pension Costs	0.800
Community Transition Fund	-
<b>Net Underspend - Transfer to General Balances</b>	<b>-2.865</b>