

Report to: Cabinet

Date of Meeting: 17 July 2014

Subject: Revenue Outturn 2013/14 and Transfer to 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

Purpose/Summary

To inform Cabinet of the revenue outturn position on the 2013/2014 General Fund, to approve the increase in General Balances and to utilise resources from General Balances in order to cover anticipated additional expenditure in 2014/2015.

The financial year 2013/2014 was the first year of a two year financial plan with reducing resources of £50.8m, and followed three years of real term reductions of £64m.

The Council has used 2013/2014 to deliver service efficiencies and reductions. Running in parallel to the achievement of the 2013/2014 financial targets was the preparation, and early implementation of changes to achieve the 2014/2015 budget. The Council budget report of February 2014 highlighted the estimated underspend of up to £4m which would be used to offset the risks of non-achievement of the 2014/15 budget savings.

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

Cabinet is recommended to allocate the over-achievement of 2013/2014 savings and the effect of the early implementation of 2014/2015 saving options identified in the report to general reserves in line with the Council budget decisions for 2014/15..

Recommendation(s)

Cabinet is recommended to: -

1. Note the General Fund net underspend of £3.578m for 2013/2014;
2. Note the Schools Delegated Budget net underspend of £0.107m for 2013/2014;
3. Agree to increase the level of General Balances by £3.578m;
4. Agree to the utilise General Balances in order to cover anticipated additional expenditure in 2014/2015 as follows:-
 - Finance the Be Active Programme for 2014 (£0.020m) , and
 - To cover the anticipated deficit for Bootle Golf Course during 2014/2015 (£0.095m).
 - To create an Apprenticeship Partnership Fund of £0.068m to support schools in the employment of apprentices.

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

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
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 2013/2014 and to seek approval to transfer the underspend to General Balances and to utilise resources from reserves in order to cover anticipated additional expenditure in 2014/2015

What will it cost and how will it be financed?

(A) Revenue Costs

The identified underspend from 2013/2014 will allow General Reserves to increase from £6.576m to £10.154m. This will improve the overall financial viability of the Authority for the coming years, when further reductions in expenditure are expected. Additional expenditure of £0.115m would be funded from General Balances.

(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 (FD 3070/14) and Head of Corporate Legal Services (LD 2375/14) 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.

Contact Officer: Margaret Rawding
Tel: 0151 934 4082
Email: Margaret.rawding@sefton.gov.uk

Background Papers:

None

1. Introduction

1.1 The General Fund outturn position for the 2013/2014 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 provide for a much needed increase in General Balances due to the increase in potential liabilities, risks and uncertainties in the achievement of all agreed savings identified during 2013/2014 and 2014/2015.

2. General Fund Revenue Outturn 2013/2014

2.1 The Council has completed the closure of the Authority's accounts for 2013/2014; the external auditors, PricewaterhouseCoopers, are due to commence their audit in early July 2014. The agreed Statement of Accounts will be presented to Audit and Governance Committee on 10 September 2014, at the conclusion of the audit. The Statement of Accounts was submitted to PricewaterhouseCoopers on 18 June 2014.

2.2 The outturn figures for 2013/2014 are presented in more detail in the following sections but can be summarised as follows:

Revenue Account 2013/2014	Schools £m	Non- Schools Services £m
Actual Balances at 31 March 2013	17.314	6.576
Plus: Schools' Delegated Budget Net Underspend 2013/2014	0.107	-
Plus Non-Schools Net Underspend 2013/2014	-	3.578
Provisional Unallocated Balances at 31 March 2014	17.421	10.154

3. Schools' Delegated Budgets Outturn 2013/2014

3.1 The schools closing balances for 2013/2014 are £17.421m and this represents 11.6% of schools 2013/2014 delegated budgets. Overall school balances increased by £0.107m 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. This mechanism was

further enhanced by Schools Forum from this year, to enable the sub group to recommend to Forum reductions to individual schools balances, where these are considered excessive without good cause, for redistribution to all schools.

3.4 Following the last exercise to examine balances, conducted in June 2013, 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 2014/2015.

3.5 As mentioned above, the level of school balances has increased in 2013/2014 by £0.107m.

- During the year, balances for Primary; Secondary and Nursery schools collectively decreased by £0.625m, whilst balances increased for Special schools £0.007m and Sefton's two Pupil Referral Units, which became schools from September 2013, by £0.205m. This net reduction of £0.413m was then offset for the Primary phase, by the agreed application of DSG Central reserves to support Primary schools with Special Resource Units. These units were deemed to have had their funding reduced under the national changes to the schools formula funding from 2013/2014. The Schools Forum agreed in March 2013 to support these schools by a release of DSG reserves £0.480m as one off transitional funding from September 2013 to March 2014 to allow them time to adjust to new reduced funding levels. In addition, the Forum also agreed to provide some one off start up funding to the two Pupil Referral Units £0.040m. The overall effect on schools balances was therefore a small net increase year on year of £0.107m. This is a relatively small change.
- 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 2012/2013) and spent them in 2013/2014, whilst others have had to draw on balances to help them through restructures or to make recommended improvements.

4. **Non-Schools General Fund Outturn 2013/2014**

4.1 The Original Budget for 2013/2014 estimated that balances for non-school budgets would total £6.576m at 31 March 2014; i.e. the assumption was that balances would not increase. The outturn for 2013/2014 shows that a net underspend of £3.578m has been achieved against this budget, i.e. increasing the level of General Fund Balances to £10.154m. This is in line with the 2014/15 Budget report and has been recognised in the mitigation of the 2014/15 Budget risks in the financial planning

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 2013/2014 (in order to achieve the targets for 2014/2015).

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: -

4.3.1 **Corporate Services** - The main variances included: -

- Corporate Finance & ICT – early achievement of net housing benefit subsidy (£0.286m) relating mainly to reduced levels of “Local Authority Error” overpayments of benefit which has resulted in a higher rate of subsidy on these payments. The 2014/2015 budget includes a £0.250m saving due to the expected continuation of this increased subsidy. There was also net income of £0.425m relating to the recovery of prior year’s council tax benefits overpayments. Council Tax Benefits ceased on 31 March 2013 and was replaced by a local Council Tax Reduction Scheme.

4.3.2 **Young People and Families** – There was an overall overspend on this service area of some £1.218m, with some sizeable variations across the service: -

A major element of overspend related to Specialised Transport. In particular, Pre 16 Home to School transport for children with special needs £1.7m and Post-16 children with Special needs £0.3m. Transport is managed by the Direct Services Department through an integrated transport delivery via the Specialised Transport Unit, with requisitions coming from the Children’s Services and Adult Services teams as required. During the year, an in-depth analysis of spending in these areas was carried out, to ascertain where the spending pressures lie between Children’s Services and Adult Social Care. This indicated that most of the spending pressures were related to Children’s transport, and the recharging of costs from Direct Services was realigned accordingly to reflect these findings. There is now ongoing work in 2014/2015 through the Transformation Team, to look at the Council’s overall approach and policies on Specialised Transport going forward, with a view to reducing costs in the long term.

Children’s Services Social Care budgets and Learning and Support (LEA) main variations are identified below: -

- Early achievement of £0.5m 2014/15 savings the largest part of which was within Early Intervention and Prevention services, where earlier than planned savings were achieved on staffing.
- Children’s Social Care budgets were overspent in some key areas during the year. In particular, Special Guardianship Orders, which are payments to relatives of children who are looked after by them, overspent by £0.4m and the cost of residential agency placements of children overspent by £0.2m. In addition, Adoption Allowances overspent by £0.2m. Some of these additional costs are borne as essential parts of the Council’s strategy to increase the number of placements into in-house foster and adoption, whilst reducing reliance on expensive agency placements;
- The budgets for the Council’s in-house residential services underspent last year, along with the Department’s legal fees, by £0.2m. In addition, the Department received DCLG support through an allocation of Adoption Reform Grant in the year and applied £0.4m out of an allocation of £0.6m to help improve adoption processes and also help towards general budget pressures in Social Care. Pressures on spending continue to be a challenge into 2014/2015, particularly as further planned budget savings are applied; and,

- Within Early Intervention, other non staff savings were identified, including Aiming High for children with disabilities which underspent by £0.2m and also within the Learning and Support (LEA) budgets services to schools, the psychology service generated additional income from trading with schools of £0.1m, with various other underspends against LEA managed budget areas of £0.2m.

4.3.3 **Older People** - The major variations being:

- Early achievement of staffing savings of £0.506m through the reconfiguration plans being implemented in anticipation of required savings in 2014/2015 for Assessment and Care Management teams.
- The Adults Social Care budget requires forecasting demand which have different factors affecting the outturn, e.g. hospital discharges, weather, and short term funding from Government.
- The local authority was given additional investment in 'winter pressures' support from NHS Southport and Formby CCG and NHS South Sefton CCG to help with increased client demand during the winter months. The final position for the Community Care budget was an underspend of £2.8m. The Director of Older People will continue to monitor the Community Care budget situation closely during 2014/2015 financial year.
- Housing Related Support (formerly Supporting People) - Throughout the year it had been reported that £1.5m of the required £3m budget saving in relation to Housing Related Support would not be achieved. The final position for the year was an underachievement of £1.25m. Council, on the 6 March 2014, approved £3.9m funding in 2014/2015, to offset the identified high risk of the estimated shortfall of approved Adult Social Care savings, including this £1.25m.

4.3.4 **Public Health** – 2013/14 is the first year of Public Health being part of the Council's services. The Public Health Grant has been applied to a range of services, including directly managed public health services (e.g. substance misuse) and indirectly managed services which contribute to the delivery of improving public health and wellbeing across the Borough (e.g. leisure activities). The Grant has been able to support health and wellbeing activities provided by the Council by £1.5 m more than originally anticipated in the setting of the 2013/14 budget.

4.3.5 **Built Environment** – There was a net underspend of £0.667m on services within this Department, the main variations being as follows:

- In respect of Park & Ride transport, revision of service provided by Merseytravel brought about a saving of £0.090m. Likewise, staffing provided under the new contract for parking attendants resulted in £0.056m savings.
- Also, an additional one-off payment of £0.195m from United Utilities was received by Infrastructure (Network Management) at year end.
- Savings on vacant posts contributed to underspends on some employee budgets, these included underspends of £0.260m within the Environment and Planning budgets.

- There were further underspends on Environment and Planning supplies and services budgets of £0.184m. These underspends were partially offset by a £0.092m shortfall of Planning's Building Control income.

4.3.6 **Street Scene – Direct Services** - There was an overall underspend of £0.044m on this service. This included an overachievement of income on Catering (£0.185m) due to additional income received from Non DSG catering activities. There was also a number of other smaller overspends and compensating underspends.

4.3.7 **Street Scene – Landscape Services** – The major variations were income higher than budgeted on Cemeteries and Crematoria (£0.459m) due to a continuing/increased demand for funeral services and memorialisation, along with an overachievement of income on Births, Marriages and Deaths (£0.110m). There was an overspend of £0.201m on the repair and maintenance of Bootle Golf Course mainly to resolve any significant Health and Safety or operational issues after it returning to Council management in March 2013.

4.3.8 **Debt Repayment / Net Investment** - There was an underspend of £0.930m 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.

4.3.9 Other areas where there are variations to the budget include an additional contribution to the Sundry Debtor Bad Debt Provision of £0.769m, a reduced revenue contribution to fund capital expenditure of £0.750m, the return of a proportion of funding top-sliced by the DCLG of £0.450m and not utilising balances previously assumed to support the budget (£0.843m).

4.3.10 The Cabinet are reminded that the budget monitoring reports through 2013/14 reported an estimated underspend of up to £4m. The table below summarises the outturn position for service departments: -

	£m
Corporate Commissioning	-0.156
Corporate Services	-1.036
Young People and Families	+1.218
Older People	-2.088
Health and Wellbeing	-0.021
Built Environment	-0.677
Street Scene – Direct Services	-0.044
Street Scene – Landscape Services	-0.364
Debt Repayment / Net Investment	-0.930
Sundry Debtor Bad Debt Provision	+0.769
Revenue Contribution to Capital Expenditure	-0.750
Return of DCLG Top-Sliced Funding	-0.450
Non-utilisation of Balances to Support the Budget	+0.843
Other Net Variations	+0.108
Net Underspend - Transfer to General Balances	-3.578

4.4 Potential use of Reserves during 2014/2015

- 4.4.1 A number of requests have been raised for additional resources within 2014/2015. These are noted below. Should the requests be approved, it is proposed that they be financed from General Balances available as at the end of 2013/2014 (£10.154m).
- 4.4.2 Be Active programme –Be Active programme in Sefton for Summer 2014. The aim is to provide the activities free of charge to participants across the Borough. In order to fund this programme a budget of £0.020m is required. This is funding for 2014 only and the costs must be contained within this budget.
- 4.4.3 Bootle Golf Course - Bootle Golf Course continues to be managed by the Council, pending a decision around the longer term. The course and the facilities are in a poor condition and that coupled with a general downturn in the golf market means that the operating costs will continue to exceed the income from golf fees. It is envisaged that this will be in the region of £0.060m. In addition, the existing parks and green spaces budget includes for a rental income of £0.035m that would have been payable by the former lessee. There is therefore a potential for the current budget to be exceeded by £0.095m.
- 4.4.4. Apprenticeship Partnerships – A sum of £0.068m is allocated to fund a joint schools/LA partnership to encourage the employment of apprentices within schools. The funding will be available to schools with match funding requirements and will be available for 2014 only.
- 4.4.5. 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 2014/2015 financial plan would result in the need to identify £1.45m of additional resources.