

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	3 September 2015
<b>Subject:</b>	Revenue Budget Outturn 2014/15	<b>Wards Affected:</b>	(All Wards);
<b>Report of:</b>	Chief Finance Officer		
<b>Is this a Key Decision?</b>	No	<b>Is it included in the Forward Plan?</b>	Yes
<b>Exempt/Confidential</b>	No		

### Purpose/Summary

To inform Cabinet of the revenue outturn position on the 2014/15 General Fund (including Schools' Delegated Budget) and to note the surplus of £1.5m compared to the approved 2014/15 budget.

The financial year 2014/15 was the second year of a two year financial plan with reduced resources of £50.8m, and followed three years of real term reductions of £64m. The Council has delivered service efficiencies and reductions in order to remain within budget. Running in parallel to the achievement of the 2014/15 financial targets was the identification and early implementation of any changes agreed for inclusion in the 2015/2016 budget.

Cabinet is asked to consider earmarking the underspend in 2014/15 to assist in developing community support, extending the period of the modern apprenticeship scheme, and providing additional recreational facilities at King's Gardens. In addition, the carry forward of unspent Emergency Limited Assistance Scheme monies into the 2015/16 financial year is also recommended.

### Recommendation(s)

Cabinet is recommended to: -

1. Note the General Fund net surplus of £1.458m for 2014/15;
2. Note the Schools Delegated Budget net deficit of £0.346m for 2014/15;
3. Confirm the carry forward of unspent resources in the Emergency Limited Assistance Scheme monies (£0.379m) into the 2015/16 financial year; and
4. Allocate the surplus in 2014/15 to assist in developing community support, extending the period of the modern apprenticeship scheme and providing additional recreational facilities at King's Gardens as set out in paragraph 4.5 of this report.

### 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 2014/15 and to seek approval to utilise available resources as set out in the report.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

Following the closure of the accounts for 2014/15, the Council's General Balances stand at £8.396m and Schools' Balances stand at £17.446m.

**(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 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 Chief Finance Officer is the author of the report (FD3738/15)

Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3021/15)

**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

## 1. Introduction

- 1.1 The report highlights the major variations in the General Fund (and schools' delegated budgets) outturn for the 2014/15 financial year, and identifies the overall revenue surplus position on non-school services. The report also proposes the utilisation of part of the General Fund surplus as set out in paragraph 4.5 of the report.

## 2. General Fund Revenue Outturn 2014/15

- 2.1 The Council has completed the closure of the Authority's Accounts for 2014/15 and submitted the Statement of Accounts to PricewaterhouseCoopers on 5 June 2015. This is the earliest that the Accounts have been prepared, and thanks are due to the Financial Management Division and to supporting service department colleagues.
- 2.2 The outturn figures for 2014/15 are presented in more detail in the following sections but can be summarised as follows:

<b>Revenue Account 2014/15</b>	<b>Schools £m</b>	<b>Non-Schools Services £m</b>
Actual Balances at 31 March 2014	<b>17.792</b>	<b>10.066</b>
Less: Schools' Delegated Budget Net Deficit 2014/2015	-0.346	
Less surplus in comparison to the 2014/15 revised estimate:		
- Budgeted Use of Balances 2014/15	-	-3.128
- Surplus in 2014/15	-	1.458
Actual Use of Balances in 2014/15	-	-1.670
<b>Provisional Unallocated Balances at 31 March 2015</b>	<b>17.446</b>	<b>8.396</b>

- 2.3 Unallocated Non-School Balances have reduced by £1.670m to £8.396m. It should be noted that the 2015/16 – 2016/17 financial plan currently includes the potential use of £5m of Balances (should additional budget reductions not be identified). Should this be required, Balances would reduce to only £3.396m.

## 3. Schools' Delegated Budgets Outturn 2014/15

- 3.1 The schools closing balance for 2014/15 is £17.446m which represents 11.1% of schools 2014/15 delegated budgets. Overall school balances decreased by £0.346m 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 2013/2014, 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 2014, 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 agreed to continue to robustly review school balances as part of the annual process for 2014/15.
- 3.5 However, given future funding uncertainties for schools, issues were raised at Schools Forum regards the relevance of continuing with a schools balance review, and the views of both Primary and Secondary Headteachers were sought through representation to Sefton Association of Secondary Heads (SASH) and Sefton Association of Primary Heads (SAPH) following the Schools Forum meeting of 29 September 2014 to obtain a steer on the continuation of the review scheme. Feedback from these groups suggested that a full consultation should be undertaken with every school. The consultation document was sent out to schools on 14 July 2015 with a return date of 13 November 2015. This would enable a formal recommendation to Schools Forum on 7 December 2015, as to whether to continue with a balances review or not. If the decision is made to discontinue with the balances review, this would need to be incorporated into the Fair Funding of schools document, and would be immediately effective from 1 April 2016.
- 3.6 As mentioned above, the level of school balances has decreased in 2014/15 by £0.346m.
- During the year, balances for Primary and Nursery schools increased by £0.690m, whilst Maintained Secondary school balances decreased sharply by £1.394m. This was largely due, in part, to the conversion of St Michaels High School to an Academy from 1 November 2014, and the need to transfer £0.580m of balances to the new school; together with the general need for some secondary schools to apply part of their balances to negate the budget deficit in 2014/15. Balances increased for Special schools by £0.113m and Sefton's two Pupil Referral Units, which became schools from September 2013, by £0.093m. The overall Schools balances reduced by £0.498m. This reduction was partially offset by an increase in the level of funding held on behalf of schools, by the Local Authority, for the costs of supply teachers, as part of the

supply teacher scheme £0.152m, making the overall reduction in school balances a net £0.346m.

- Some schools had planned the use of some of their balances (brought forward from 2013/2014) and spent them in 2014/15, whilst others have had to draw on balances to help them reduce expenditure through restructures or to make recommended improvements.

#### 4. **Non-Schools General Fund Outturn 2014/15**

4.1 The outturn for 2014/15 shows that a net surplus of £1.458m has been achieved against the approved 2014/15 budget, with the level of General Fund Balances standing at £8.396m as at 31 March 2015. It is recommended that the specific initiative identified at para 4.5 be approved which utilises this surplus. These initiatives are in line with council priorities.

4.2 In line with previous practice, savings agreed by the Council in October / November 2014 for future years, were approved for immediate implementation. This has led to an overachievement of the savings targets in some areas for 2014/15 as a result.

4.3 Within this overall net surplus, there have been a number of significant variations in individual services. The major variances are highlighted in the following paragraphs: -

4.3.1 **Strategic and Corporate Management** - The net surplus on these services totalled £0.361m. The main variances included: -

- Overachievement of senior management savings and the reallocation of work following unplanned vacancies;
- Developments in systems, including the financial management system, were met from the savings arising from staffing vacancies and other supplies efficiencies;
- Additional income from Corporate Services SLAs and recovery of costs above budgeted levels; and
- Spend on the Voluntary Community Faith sector was above budgeted levels as a result of the extended consultation period during the implementation of agreed savings.

4.3.2 **Young People and Families** – There was an overall deficit on this service area of some £1.965m; the main variations across the service are highlighted below: -

- Learning & Support – Cabinet has been made aware throughout the year of the forecast deficit on Specialist Transport. This is reflected in the final accounts at a deficit of £2.164m, which is partially offset by surpluses in the Connexions contract, the South Sefton Adult Education Centre and a range

of staff vacancies and supplies and services reductions. The net deficit for Learning and Support is £1.424m.

- The pressure on Children's Social Care has been highlighted throughout the year and remains an ongoing risk into future years. The increase in the number of Looked-After Children and the court ruling requirement to pay foster parent rates for Special Guardianships has contributed to the deficit on placements and care packages budget of £1.747m.
- The net Children's Services deficit has been reduced by £0.680m through reviews of commissioned services and staffing for early intervention and prevention. These reductions have been reflected in the budget savings approved for 2015/16 and future years. A further saving has been achieved in the cost of central management and administration of £0.301m.

#### 4.3.3 Older People -

- During 2014 it became more evident that the budgeted growth required was less than included in the 2014/15 Budget. This was reflected in the 2015 – 17 financial plan, in that no growth was included other than through redirection of BCF resources. The growth built into 2014/15 was left in that year's budget to remain prudent as forecasts in mid-2014 were at that time tenuous. This surplus of £1.442m reflects lower than anticipated growth in elderly residential care and a move into targeted community support. The recovery of unspent direct payments also exceeded the budget.
- The employee budget underspent by £0.899m mainly due to vacant posts following a significant amount of change as a result of the reconfiguration of the Assessment and Care Management teams. There has been particular difficulty in recruiting staff to posts due to a lack of availability of qualified staff
- Housing Related Support costs were adjusted by £0.311m through reduced contract payments to reflect reduced client numbers being supported.
- The late notification of grants and Social Care Agreements to cover the cost of care during the winter months is also reflected in this year's accounts. In future years, this resource will be managed through the Better Care Fund pooled budget.

4.3.4 **Health and Wellbeing** – A net deficit of £0.321m on this service is largely due to an increase in the rateable value of the Atkinson (£0.310m) which is currently being appealed. Income at the Atkinson was below target due to the initial build-up of events but this was offset by savings in utilities at Leisure Centres and reduced staffing costs.

4.3.5 **Built Environment** – There was a net deficit of £0.142m on services within this Department, the main variations being as follows:

- Admin Buildings – A premises deficit (£0.263m) primarily due to rent increases following rent review at Magdalen House and stepped rental increase at Merton House.
- Other Properties - Rental income under pressure from tenant default and reductions in rents to lower market levels on lease renewals (£0.159m).
- Winter gritting – deficit of £0.311m due to the severity of the winter.
- Economy and Tourism overspent by £0.264m. This was mainly due to a shortfall in STBN (Southport Tourist Business Network) income (£0.091m), an under achievement of ERDF Grant income (£0.093m) and an under achievement of rental income at the Southport Market (£0.108m).
- Savings on vacant posts contributed to surplus on the following departmental employee budgets - Environment (£0.127m), IPI (£0.367m) and Planning (£0.163m) - totalling £0.657m.
- There were further surplus on Environment (£0.098m) and Planning (£0.092m) supplies and services budgets.

4.3.6 **Street Scene – Direct Services** - The overall deficit of £0.142m on traded services is a combination of the surplus on catering (£0.294m) being more than offset by deficits on the Building Cleaning service of £0.165m, Vehicle Maintenance (£0.107m) and the Security Force (£0.106m).

4.3.7 **Street Scene – Landscape Services** – There was an overall surplus of £0.629m on this service. The major variations were as follows:

- Higher than budgeted income on the Cemeteries and Crematoria service (£0.509) due to a continuing and increased demand for funeral services and memorialisation.
- A revaluation of rateable values at Southport and Thornton Crematoria resulting in a reduction in the costs of Business Rates of £0.182m when compared to the budget.

4.3.8 **Debt Repayment / Net Investment** – 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 gave a surplus of £1.323m.

4.3.9 Other areas where there are variations to the budget include an additional contribution to the Business Rates income reserve to cover potential additional costs arising from appeals by businesses. This is a national issue. The Government put a time limit on the right to challenge the level of NNDR bills, which has meant that many businesses have recently put in appeals, many of which may well be speculative. However, at the current time it is unknown whether these will be successful or not. Consequently, resources have been



put aside based upon an estimate of the potential cost, £2.380m. An additional contribution to the Sundry Debtor Bad Debt Provision of £0.404m and a shortfall in receipts from the VAT Shelter agreement with One Vision Housing of £0.313m.

4.3.10 **Emergency Limited Assistance Scheme** - Following the introduction of the Council Tax Reduction Scheme, the Government provided a grant to local authorities (ELAS) in order to provide financial support to residents (on a one-off basis) who are in severe financial difficulty. The budget for 2014/15 was not fully utilised during the year. Consequently, the carry forward of this resource (£0.379m) into the 2015/16 financial year is recommended in order to meet the ongoing demand for such support.

4.3.11 The table below summarises the outturn position for service departments: -

	<b>£m</b>
Strategic Management	-0.154
Performance and Intelligence	-0.155
Corporate Services	-0.052
Young People and Families	+1.965
Older People	-2.704
Social Care additional agreement funding	-2.491
Health and Wellbeing	+0.321
Built Environment	+0.142
Street Scene – Direct Services	+0.142
Street Scene – Landscape Services	-0.629
Debt Repayment / Net Investment	-1.323
Increase in Business Rates Income Reserve - To offset increase in Appeals Provision	+2.380
Sundry Debtor Bad Debt Provision	+0.404
Shortfall in receipts from the VAT Shelter agreement	+0.313
Other Net Variations	+0.383
<b>Net Surplus 2014/15</b>	<b>-1.458</b>

4.4 Health Intervention Services – The Public Health Grant has been applied across a range of services, including directly managed public health services (e.g. drug and alcohol 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 £0.6m more than originally anticipated when setting the 2014/15 budget.

4.5 Potential use of reserves during 2015/16

4.5.1 As a result of the in-year surplus, there is an opportunity to utilise this resource to finance the following initiatives:

- Increasing funding for the Community Transition Fund (as agreed by Council on 5 March 2015) by £1m.
- As part of the 2014/15 budget Cabinet made available £0.300m one-off funding to support and enhance the use of Apprentices and Advance Apprentices within the Council and other employers. The provision of this resource allowed Sefton to operate a rolling programme for apprentices which saw, from June 2015, some 59 apprentices being taken on across virtually every department across the Authority. It also provided resources for apprenticeship schemes in other Sefton employment sectors.

The scheme has been a real success, out of the latest cohort of leavers, many of whom were long-term unemployed or NEETS, 58% gained employment with a further 24% receiving extended support or progressing to the Advanced Apprenticeship Scheme.

For the present scheme to continue Members may wish to consider whether to provide further funding to the Apprenticeship Scheme at a cost of £0.300m, and,

- Providing additional recreational facilities for disabled children at King's Gardens (£0.025m), which would enhance the range of opportunities for children and families.

#### 4.6 Conclusion

- 4.6.1 The Council continues to exercise strong financial management across the range of its activities. This has resulted in an overall surplus at outturn. The vast majority of this surplus has been achieved through the early implementation of approved savings plus the constant effort of budget holders to reduce spending where they can. There are a number of areas where demand has exceeded the budget and these need to be reviewed as part of the ongoing MTFP. In particular, Specialist Transport, Children's social care will need to be closely managed with the probability of increasing the budget permanently in these areas. This will of course add to any overall future deficit.