

Report to:	Cabinet	Date of Meeting:	21 July 2016
Subject:	Revenue Budget Outturn 2015/16	Wards Affected:	(All Wards);
Report of:	Head of Corporate Resources		
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 2015/16 General Fund (including Schools' Delegated Budget) and to note a surplus of £2.376m compared to the approved 2015/16 budget.

The financial year 2015/16 was the first year, of a two year financial plan, which will see the Council meet a savings target of £55m, following on from real term reductions of £114m in previous years. The savings target in 2015/16 was £32.487m, and Members have been informed of progress in meeting this financial objective throughout the year. As a result of this approach to financial management, the Council has once again delivered service efficiencies and reductions in order to remain within budget, whilst delivering services to agreed standards and levels. Running in parallel to the achievement of the 2015/16 financial targets was the identification and early implementation of any changes agreed for inclusion in the 2016/17 budget.

Recommendation(s)

Cabinet is recommended to: -

1. Note the General Fund net surplus of £2.376m for 2015/16;
2. Note the Schools Delegated Budget net deficit of £0.073m for 2015/16 (plus the transfer of resources of £0.624m re schools transferring to academies);
3. Approve the use of resources from the in-year surplus as follows: -
 - a. To continue the current modern apprenticeship scheme until 31 March 2017, at a cost of £0.100m pending the introduction of the national scheme from 2017/18; and
 - b. In accordance with previous events, the Council will support the preparation for the Open Golf Championship at Birkdale in 2017 and during 2016/17 will determine whether a financial contribution will be made as part of that support from the in-year surplus.

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 2015/16.

What will it cost and how will it be financed?

(A) Revenue Costs

Following the closure of the accounts, the Council achieved a surplus of £2.376m compared to the 2015/16 original budget figure. As a result, General Balances stand at £8.178m. Schools' Balances reduced to £16.749m, principally due to the conversion of two schools into academies.

(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 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 Resources is the author of the report (FD 4230/16)

Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3513/16)

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following call-in.

Contact Officer: Stephan Van Arendsen

Tel: 0151 934 4081

Email: Stephan.VanArendsen @sefton.gov.uk

Background Papers:

None

1. Introduction

- 1.1 The report details the outturn position for the financial year 2015/16 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets.

2. Revenue Outturn 2015/16

- 2.1 The Council has completed the closure of the Authority's Accounts for 2015/16 and submitted the Statement of Accounts to its external auditor Ernst & Young for audit. The timeframe for the overall closure of accounts process is as follows: -

- Closure of Accounts – Completed by 9 June 2016
- Audit review – Planned completion 15 July 2016
- Audit & Governance Committee Report – 7 September 2016

It should be noted that 2015/16 represents the first year following the introduction of a new financial system (Agresso), and the change in external auditors from PricewaterhouseCoopers to Ernst & Young.

- 2.2 The outturn figures for the General Fund 2015/16 are presented in more detail in the following sections but can be summarised as follows:

2.3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<u>Net Revenue Expenditure</u>			
<u>Services</u>			
Strategic Management	2.816	2.795	-0.021
Commissioning Support and Business Intelligence	2.361	1.940	-0.421
Strategic Support	0.486	0.506	0.020
Adult Social Care	84.242	84.499	0.257
Children's Social Care	24.870	28.686	3.816
Communities	10.835	10.787	-0.048
Corporate Support	4.632	3.728	-0.904
Health and Wellbeing	23.456	23.239	-0.217
Inward Investment and Employment	2.574	2.584	0.010
Locality Services - Commissioned	19.359	18.774	-0.585
Locality Services - Provision	9.298	9.946	0.648
Regeneration and Housing	4.003	4.089	0.086
Regulation and Compliance	5.379	4.615	-0.764
Schools and Families	27.235	27.200	-0.035
<u>Total Service Net Expenditure</u>	221.546	223.388	1.842

Reversal of Capital Charges	-13.376	-13.376	-
Corporate Items	10.770	7.202	-3.568
Levies	35.072	35.072	-
Parish Precepts	0.894	0.894	-
Total Net Expenditure	254.906	253.180	-1.726
Financed by:			
Council Tax Payers	-108.623	-108.623	-
Revenue Support Grant	-51.007	-51.007	-
Business Rates Top-Up	-24.262	-24.262	-
Retained Business Rates	-34.175	-34.175	-
General Government Grants	-34.245	-34.895	-0.650
Total Financing	-252.312	-252.962	-0.650
Amount Funded from General Balances	2.594	0.218	-2.376

General Fund Outturn 2015/16

- 3.1 As discussed, the outturn for 2015/16 shows that there was a net surplus against budget of £2.376m. Within this, service expenditure exceeded the approved budget by £1.842m however a surplus of £4.218m on the Councils corporate budgets enabled an overall surplus to be achieved. In line with previous practice, savings agreed by the Council in October / November 2014 for future years, were approved for immediate implementation. This practice has enabled the Council to agree service levels for the year and ensure it can effectively manage its budget during these challenging times.
- 3.2 As would be expected, during the financial year, there has been a number of significant variations in individual services. The major variances are highlighted in the following paragraphs:
- 3.2.1 **Commissioning Support and Business Intelligence** - The net surplus on these services totalled £0.420m. This arose due to posts being held vacant in anticipation of a restructure that was required in 2016/17 in order to achieve approved savings. Also, staff were seconded to funded posts which were not backfilled.
- 3.2.2 **Children's Social Care and Schools and Families**– There was an overall deficit on these service areas of some £3.816m; the main variations across the service are highlighted below: -
- Schools and Families
- Throughout the year, Cabinet has been made aware of the forecast deficit on Specialist Transport for children. This is reflected in the final accounts at a deficit of £1.545m (£2.164m in 2014/15);

A number of surpluses have materialised within the service in year including Early Years Service -£0.643m; SEN and inclusion services - £0.220m; and Central support and regulatory services -£0.717m; and

- The pressure on Children's Social Care has been highlighted throughout the year and, as with most local authorities remains an ongoing risk into future years. The increase in the number of Looked-After Children and wider pressures has contributed to a deficit on placements and care packages of £3.816m in 2015/16 (£1.747m in 2014/15). Members will recall £2.5m was allocated within the 2016/17 budget in order to recognise the pressure in this area.

3.2.3 **Adult Social Care -**

The outturn position for the Adult Social Care service showed a net deficit position of £0.257m with the main variations outlined below:

- The employee budget was £1.076m in surplus predominantly due to a number of posts remaining vacant throughout the year. It should be noted that this reflected a vacancy management strategy to support the delivery of the Assessment Team savings that are required in 2016/17. During the year there has also been a restructure in Mental Health teams with vacant posts being held pending completion of the new structure. These factors combined with the continued difficulty in recruiting staff to posts, due to a lack of availability of qualified staff, has led to the final outturn position. The Specialist Transport services provided for adult social care was also in deficit by £0.102m (£0.095m in 2014/15);
- A surplus position for the Housing Related Support budget of £0.650m resulted as preparation was made for the required budgeted saving in 2016/17; and
- These budget surpluses within the service were offset by a deficit in the Community Care budget of £3.287m. The key variation on this budget arose due to the fact that the in-year budgeted income of £3m in relation to the Better Care Fund was not received from the relevant Clinical Commissioning Groups (CCG's). This position had been widely reported throughout the year and Members were kept informed of ongoing negotiations and dialogue. It should be noted that the 2016/17 budget had assumed £6m of income would be received from the CCG's in order to support social care. At this stage it is considered that it is unlikely that this income will be received, therefore an assessment of the overall impact on both service delivery and the budget is being made. Members will be informed of progress on this issue throughout 2016/17.

3.2.4 **Corporate Support** – A net surplus of £0.903m was generated in year and can primarily be accounted for by the following:

- A surplus on rental payments for Magdalen House and Merton House (£0.340m); and
- A surplus of £0.540m mainly due to savings against staffing budgets within Finance (posts being held vacant, pending a saving requirement in 2016-17) and savings made against the contract with arvato.

3.2.5 Health and Wellbeing – A net surplus of £0.217m on this service was largely due to reduced staffing costs, savings in utilities and unachieved income at the Leisure Centres.

3.2.6 Regulation & Compliance – A net surplus of £0.765m was brought about primarily by the following variations:

- Reduction in staffing expenditure £0.309m due to vacancies and receipt of funding for employees services.
- Improved income and funding of £0.288m, received for car parking (£0.104m) and other services (£0.184m) as well as reduction in supplies and services expenditure (£0.099m).

3.2.7 Locality Services Provision – The services overall outturn position is showing a deficit of £0.648m. Within this Catering Services (£0.175m) and School Crossing Patrol (£0.031m) generated a budget surplus, however a number of deficits occurred on Security Services (£0.398m), Building Cleaning (£0.229m), Cleansing (£0.199m) and Vehicle Maintenance (£0.026m).

With regard to Building Cleaning, the income target was not achieved and is currently being reviewed as part of ongoing financial management. During 2015/16 the cleansing service saw green waste levels reduce, whilst collection values associated with brown bins increased thus resulting in a budget deficit. A new process has been introduced for 2016/17 and it is estimated that this budget will be balanced. With regard to Sefton ARC income was lower than anticipated, however, with recently awarded contracts it is anticipated that there will be also be a balanced position in 2016/17.

3.2.8 Locality Services Commissioned – There was an overall surplus of £0.585m on this service. This was due to surpluses achieved on Transportation & Highway Infrastructure of £0.382m, Landscape Services of £0.123m and Specialist Transport Contracted Services of £0.080m

3.2.9 Corporate Budgets - Debt Repayment / Net Investment – Whilst service budget spend exceeded the budget by £1.8m, the corporate budgets were in surplus by £4.2m. Better investment returns on cash balances held by the Council and lower capital financing costs gave a surplus of £0.917m. Other variations included one-off receipts from rechargeable works and other provisions (£1.706m) and the non-use of a central inflation provision.

Members will recall that Cabinet / Council approved an amendment to the Treasury Management Strategy with regard to Minimum Revenue Provision

for debt repayment earlier this year. The impact of this in 2015/16 was a reduction in cost of £6.5m. As reported previously, these resources have been reserved in 2015/16 to assist the Council in balancing the Budget for 2016/17 and future years.

3.3 Utilisation and resources arising from 2015/16 underspend

3.3.1 The overall Council-wide surplus compared to the budget (£2.376m), has provided an opportunity to resource the following initiatives, for which approval is sought:

- In line with previous years, it is proposed that resources could be utilised to support Apprentices and Advanced Apprentices during 2016/17, at an estimated cost of £0.100m. Members should note that the Government Levy for apprentices in 2017/18 will require further resources to be identified, as will the longer term commitment to employing apprentices. This will be considered as part of the budget process for 2017/18;
- One of the major sporting events that is occasionally held in Sefton is the Open Golf Championship. In 2017 the event will be held at the Royal Birkdale Golf Club. This event delivers a significant boost to the local economy with the 2014 event at Hoylake estimated to have generated £70m. In line with previous occasions of hosting the Open, the Council will support the event and a financial contribution may be provided as part of this support.

4 Schools' Delegated Budgets Outturn 2015/16

4.1 The level of schools' balances as at the end of 2015/16 is £16.749m. This overall sum consists of direct school balances of £16.308m, Supply Funding Pool (£0.255m) and the Schools Rates Pooled Account (£0.186m). The total represents 8.70% of schools' 2015/16 delegated budgets. Overall schools' direct balances changed by a modest amount in year of -£0.616m, whilst the schools Supply Pool balances decreased by -£0.168m; and the Rates Pool Account increased by £0.087m.

4.2 A sub-group of the Schools Forum examined the levels of balances held in June 2015 and where appropriate schools were asked to demonstrate robust plans for the committed use of surplus balances. Following this exercise it was considered that appropriate plans were in place and no further action was taken. The current year's exercise has yet to be undertaken, however it is suggested that the position be kept under review and that proactive financial management be undertaken across all schools to ensure that the impact of funding changes/variations can be managed effectively within the current challenging environment.

5 Overall Budget Outturn Summary

- 5.1 The change in the level of Council and School Balances as at 31 March are set out below: -

Revenue Account 2015/16	Schools	Non-School Services
Actual Balances at 31 March 2015	£m 17.023	£m 8.396
Less: Schools' Delegated Budget Net Change 2015/2016 (#)	-0.697	-
Use of Balances in 2015/16	-	-0.218
Provisional Unallocated Balances at 31 March 2016 (Pending audit)	16.749	8.178

(#) Of the £0.697m variation, £0.624m relates to the transfer of balances to the new academies at Hillside & Litherland High schools.

6 Conclusion

- 6.1 The Council continues to exercise strong financial management both corporately and across each of its services. This has resulted in an overall surplus at outturn.

As would be expected, there are a number of areas where demand has exceeded the budget and these will be monitored in the new financial year (2016/17) and may need to be considered as part of the ongoing development of the Medium Term Financial Plan. The Council's accounts are currently subject to review by the external auditor, Ernst & Young, and following completion of the audit, the Accounts will be presented to the Audit & Governance Committee for consideration, together with the ISA 260 report that will reflect their findings and conclusions.