

Report to:	Cabinet	Date of Meeting:	27 July 2017
Subject:	Revenue & Capital Budget Outturn 2016/17		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards)
Cabinet Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To inform Cabinet of the revenue and capital outturn position in relation to the 2016/17 financial year. In doing so the report will outline any key variations and where appropriate any impact on future years financial performance.

Recommendation(s):

1. Note the General Fund net underspend of £0.894m for 2016/17;
2. Note the Schools Delegated Budget net deficit of £2.915m for 2016/17;
3. Approve the use of resources from the in-year surplus to increase the Council's Redundancy Reserve by £0.894m; and
4. Note the capital outturn position for 2016/17 and the carry forward of resources to 2017/18.

Reasons for the Recommendation(s):

The production of a revenue and capital outturn report is a key feature of effective financial management and will allow Members to make informed decisions that will support service delivery and medium term financial sustainability.

Alternative Options Considered and Rejected: (including any Risk Implications)

N/A

What will it cost and how will it be financed?

(A) Revenue Costs

All revenue implications are detailed within the report

(B) Capital Costs

All capital implications are detailed within the report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
Legal Implications:
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:	N/A
Facilitate confident and resilient communities:	N/A
Commission, broker and provide core services:	N/A
Place – leadership and influencer:	N/A
Drivers of change and reform:	N/A
Facilitate sustainable economic prosperity:	N/A
Greater income for social investment:	N/A
Cleaner Greener	N/A

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources is the author of the report (FD 4744/17)

Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 4028/17)

(B) External Consultations

N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Introduction

1.1 The report details the revenue outturn position for the financial year 2016/17 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets. In addition the report details the capital outturn position for 2016/2017.

2. General Fund Revenue Outturn 2016/17

2.1 The Council has completed the closure of the Authority's Accounts for 2016/17 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:

- Draft Statement of Accounts produced – 1 June 2017
- Audit & Governance Committee receive draft accounts – 28 June 2017
- External Audit Review – Planned completion 14 July 2017
- Audit and Governance Committee receive Final Accounts- 13 September 2017

It should be noted that for 2017/18 onwards the draft Statement of Accounts must be completed by 31st May with the audit completed and final Statement of Accounts published by 31 July. Based upon this years' progress it is considered that the Council is well placed to achieve this.

2.2 The outturn figures for 2016/17 are explained in more detail in section 3 but can be summarised as follows:

	Budget	Actual	Variance
	£m	£m	£m
<u>Net Revenue Expenditure</u>			
<u>Services</u>			
Strategic Management	2.975	2.951	-0.024
Strategic Support Unit	2.891	2.743	-0.148
Adult Social Care	86.172	88.620	2.448
Children's Social Care	27.548	28.606	1.058
Communities	10.572	9.839	-0.733
Corporate Resources	4.083	3.335	-0.748
Health and Wellbeing	23.311	22.517	-0.794
Inward Investment and Employment	2.516	2.749	0.233
Locality Services - Commissioned	18.596	18.706	0.110
Locality Services - Provision	9.381	11.008	1.627
Regeneration and Housing	4.622	4.461	-0.161
Regulation and Compliance	4.444	3.628	-0.816
Schools and Families	25.926	25.494	-0.432
<u>Total Service Net Expenditure</u>	223.037	224.657	1.620

Reversal of Capital Charges	-13.376	-13.376	-
Corporate Items	4.947	2.558	-2.389
Levies	33.769	33.769	-
Parish Precepts	0.925	0.925	-
<u>Total Net Expenditure</u>	249.302	253.180	-0.769
Financed by:			
Council Tax Payers	-116.110	-116.110	-
Revenue Support Grant	-38.577	-38.577	-
Business Rates Top-Up	-24.464	-24.464	-
Retained Business Rates	-34.379	-34.379	-
General Government Grants	-34.803	-34.928	-0.125
<u>Total Financing</u>	-248.333	-248.458	-0.125
<u>Amount Funded from General Balances</u>	0.969	0.075	-0.894

3. General Fund Revenue Outturn 2016/17 – Variation Analysis

- 3.1 As shown in section 2, the outturn for 2016/17 shows that there was a requirement to support the Councils budget with £0.075m of General Fund balances as opposed to the £0.969m that was budgeted for. This reflects service expenditure exceeding the approved budget by £1.620m, however, with a surplus of £2.514m on the Council's corporate budgets a reduced call on balances has been achieved and an overall underspend delivered.
- 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 **Strategic Support Unit** - The net surplus on these services totalled £0.148m. In order to contribute to the overall Council overspend, supplies and services budgets were reviewed and only essential expenditure was incurred. This resulted in a £0.102m surplus. A further surplus of £0.046m on staffing expenditure was due to a part year restructure, additional income received towards staffing and not recruiting to vacant posts.
- 3.2.2 **Adult Social Care** – The outturn position for the Adult Social Care service showed a net deficit of £2.448m. As previously reported, budgeted income of £6m from Clinical Commissioning Groups, via the Better Care Fund, was not received by the Council with only £0.910m being made available. This outcome has placed a significant pressure of £5.090m on the Adult Social Care service. In order to mitigate this financial pressure some compensating surpluses were identified and during the year approved permanent budget virements were made to re-direct resources to the Community Care budget. The main net variations, following the in-year budget virements, are outlined below:

- The employee budget was in surplus by £0.545m due to staff turnover and a vacancy freeze imposed by the Head of Adult Social Care for the final quarter of the year.
- A surplus of £0.381m was generated on Specialist Transport expenditure with new routes being implemented from 1 September, combined with the progression of the Day Care modernisation programme.
- Capitalisation of Community Equipment expenditure, totalling £0.341m, freed up revenue resources to assist with service pressures
- The Community Care budget was in a deficit position of £2.146m following the required budget reduction of £5.090m outlined above.
- While it is anticipated that the Supported Living saving will be achieved in full in 17/18, some delays occurred in the programme during 16/17 increasing pressure on the Community Care budget by £1.093m. Similarly slippage in the Day Care modernisation programme has delayed further contract negotiations with New Directions adding £0.670m to pressures on the Adult Social Care budget in-year

3.2.3 **Children's Social Care** - Children's Social Care overspent in 2016/17 by £1.058m. This level of overspend was forecast consistently through the year. Major variations included overspending of £1.526m on Placements and Packages. This budget is demand led and as such particularly volatile depending on the numbers of children becoming looked after and where they are placed. There were also particular pressures on CWD residential Placements, with an over spend of +£1.017m. The overspend position on placements and packages was partially offset however, by the general level of vacancies held across the service, which generated an under spend of around -£0.500m. The level of vacancies held, will be reduced when the service is restructured later in 2017.

3.2.4 **Communities**- under spent in 2016/17 by -£0.733m. This consisted of a number of key variations:

- Youth Services and YOT staff vacancy savings and running expenses - £0.314m;
- Parks under spending due to staff vacancies and running costs -£0.195m;
- Neighbourhoods under spending of -£0.170m due to staff vacancies and additional external income;
- There was also a net under spending on Libraries and Arts of -£0.100m, with Libraries under spending by -£0.306m due to staff vacancies and NDR Refunds, whilst The Atkinson overspent by +£0.206m largely due to higher than budgeted Non Domestic Rates charges in the year. These are currently under appeal with the rating valuation office.
- There was also a small over spend on municipal golf services of +£0.059m.

- 3.2.5 **Corporate Resources** – The surplus of £0.748m for Corporate Resources primarily relates to non-recurring savings made against staffing budgets due to the holding of vacant posts and a reduction in expenditure on supplies and services. These two areas were the subject of stringent financial management throughout the year in order to contribute to the overall budget pressures in the Council. The service was also successful in delivering an overachievement against its income targets.
- 3.2.6 **Health & Wellbeing** – A net surplus of £0.794m was brought about primarily due to the following:
- Surplus of £0.099m due to the renegotiation of the Formby pool contract; and
 - Public Health surplus of £0.694m was a result of the Substance Misuse contract being recommissioned and a surplus on residential rehab totalling £0.394m; NHS Healthchecks, Sexual Health Services and Health Protection are demand led services and also resulted in a surplus of £0.128m whilst Public Health also received one off contribution in 2016/17 from Liverpool Community Health of £0.120m.
- 3.2.7 **Inward Investment & Support** - The overspend of £0.233m has occurred due to two outstanding budget issues:
- An unachievable saving of £0.116m that has been removed from the budget in 2017/18
 - A longstanding budget issue from ERDF grant income of £0.101m that ended in 2013 with no replacement funding.
 - It should also be noted that an overspend occurred on the Tourism budget (£0.065m) largely due to a VAT adjustment on income. The staffing budget for the Head of Service overspent by £0.014m. These variances were offset by an underspend on Learning & Support due to staffing vacancies (£0.077m).
- 3.2.8 **Locality Services - Commissioned** – There was an overall deficit of £0.110m on this service. This position was achieved despite the non delivery of a street lighting saving of £0.530m. The final outturn position was aided by a slight surplus on Landscape services (£0.087m) and an overachievement of income on Highway Management.
- 3.2.9 **Locality Services - Provision** – The service ended the year with a deficit of £1.627m. Although Catering Services was in surplus by £0.234m (largely as a result of a successful trading year with schools), there were also a number of reported deficits including Cleansing (1.048m) Security Services (£0.406m), Burials (£0.299m) and Building Cleaning (£0.127m). The issues affecting these services were as follows:

- The Cleansing service deficit included unachievable savings of £0.454m which have now been resolved as part of the 2017/18 budget process. In addition following the cessation of the Palm recycling contract at the end of July 2016 and the transfer of staff to an in-house operation, the available budget was found to be insufficient to deliver the service from that point. Efforts are being made to reduce costs in the current year by fully integrating all elements of the operation.
- The deficit within the Security Service was caused mainly by insufficient income being generated to offset all of the short-term fixed costs of the operation. The deficit is being addressed in the 2017/18 year by a cost reduction exercise (involving a reduction in the staffing establishment) and a consequent restructuring of the service.
- The financial performance of the Burials service has been compromised by a reduction in the number of cremations. This is partly due to the completion of a recently opened private cremation facility in Burscough and partly to a reduced capacity at Thornton Garden of Rest whilst works were being undertaken to replace cremators and improve facilities. Some improvement work at Thornton is ongoing in 2017/18 (albeit with lesser anticipated disruption to the capacity of the service) and Burscough will continue to provide some competition (although price increases have made this facility potentially less attractive as an alternative to Southport or Thornton).
- The Building Cleaning overspend of £0.127m was mainly as a result of unachieved internal income.

Due to the size and diverse nature of this overspend a full base budget review has been undertaken to reduce the inherent budget issue however it is estimated that a residual budget pressure of £0.4m remains in 2017/18. This area of the Councils budget will be the subject of robust financial management and monitoring during the year to confirm the deliverability of remedial actions and this will be reported to members

3.2.10 **Regeneration & Housing** - A net surplus of £0.161m was generated as a result of:

- A Reduction in staffing expenditure £0.207m due to vacancies and receipt of funding for employees services.
- Improved income and funding £0.088m, received for planning and building control activities.
- A pressure in supplies and services expenditure (£0.128m). This was primarily brought about by the Council's obligation to introducing and implementing the Local Plan.

3.2.11 **Regulation & Compliance** - A net surplus of £0.816m was generated due to a:

- Reduction in staffing expenditure of £0.199m due to vacancies and receipt of funding for employees services.
- Improved income and funding for services of £0.540m in relation to car parks (£0.063m) governance (£0.053m), registrars (£0.036m), coroners (£0.032m) environmental and licensing services (£0.117m) and legal services control activities (£0.239m)
- Reductions in expenditure on transportation (£0.042m).

3.2.12 **Schools & Families** - Schools and Families under spent in 2016/17 by - £0.432m. This consisted of a number of key variations:

- Specialist Transport over spent by £0.435m. This was offset by under spending on the School Readiness Commissioned services and staff vacancy savings -£0.255m;
- under spending on School Improvement through additional traded income and vacancy savings of -£0.131m;
- SEN Inclusion and Psychology service staff vacancy savings -£0.178m;
- Schools and Families central administration staff vacancies -£0.176m;
- Governor traded services -£0.084m.

3.2.13 **Corporate Items:** A net surplus of £2.389m was brought through the following:

- Debt Repayment / Net Investment – 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 2016/17 was a reduction in cost of £0.774m.
- As part of the budget process for 2016/2017 the Council approved the creation of an Investment Strategy budget of £1.6m. Only £0.607m of this budget was utilised in 2016/17 resulting in an underspend of £0.993m.
- The 2016/2017 budget included £2.200m of additional resources to support pressures on demand led transport services. Only £1.562m of these resources were allocated to Services 2016/17. This resulted in an amount of £0.638m being transferred to Contingency which was subsequently not required.

- 3.3 The overall Council-wide surplus generated in year of £0.894 represents the outcome of stringent financial management through the year as the Council continues to meet the extreme challenges of national government policy. As a result, an opportunity exists to allocate this sum to the Councils redundancy reserve that will be utilised to support staff changes during the course of the current Medium Term Financial Plan

4. Schools' Delegated Budgets Outturn 2016/17

- 4.1 The level of schools' balances as at the end of 2016/17 is £13.845 (£16.749m 15/16). This overall sum consists of direct school balances of £13.478 (£16.308m 15/16); Schools Supply Funding Pool £0.013m (£0.255m 15/16) and the Schools Rates Pooled Account £0.354m (£0.186m 15/16). The total balances represent 7.21% of schools' 2016/17 delegated budgets. Overall, schools' direct balances changed significantly, reducing in year by -£2.830m; similarly, the Schools Supply Pool balances decreased by -£0.242m; whilst the Rates Pool Account increased by £0.168m.
- 4.2 The significant reduction to schools balances maybe largely attributed to the heavy reliance on the use of balances across many school during the year, particularly across the maintained Secondary schools, many of whom are experiencing financial difficulties.
- 4.3 Other use of school reserves is largely as a result of a greater reliance by the Primary schools on their balances to see them through difficult times caused largely by cash-flat funding settlements over the last few years, which have gradually eroded their spending power. This is as a direct result of pay and price inflation and changes to pensions and national insurance contributions. It is anticipated that this trend will continue into 2017/18, as the Government looks set to introduce a new National Funding Formula for schools, which would see most of Sefton's schools, lose significant amounts of funding over the next two years.
- 4.4 A sub-group of the Schools Forum examined the levels of balances held, in October 2016, and where appropriate, schools were asked to demonstrate robust plans for the committed use of any surplus balances. Following this exercise it was considered that appropriate plans were in place and no further action was required. 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 managed effectively within the current challenging environment.
- 4.5 The change in the level of Council and School Balances as at 31 March 2017 are set out as follows:

Revenue Account 2016/17	Schools £m	Non-Schools Services £m
Actual Balances at 31 March 2016	16.749	8.178
Less: Schools' Delegated Budget Net Change 2016/2017	-2.915	-
Use of Balances in 2016/17	-	-0.969
Provisional Unallocated Balances at 31 March 2017	13.834	7.209

5. Capital Outturn

- 5.1 The following section of the report provides details of the Council's budgeted capital spending in 2016/2017 and key schemes and outputs that have been delivered.
- 5.2 The approved capital budget for 2016/17 was £28.952m against which total capital expenditure of £20.306m has been incurred at the year end. This has resulted in an under spend of -£8.646m against the full year budget with an overall delivery rate of 70%.

A service by service breakdown is shown in the following table:-

Service	Full Year Budget 2016/17	Actual Expenditure 2016/17	Actual Expenditure as a % of Budget 2016/17	Full Year Actual Variance 2016/17
	£m	£m	%	£m
Health & Wellbeing	0.364	0.041	11.3%	0.323
Communities	3.237	1.644	50.8%	1.593
Schools and Families	6.042	3.084	51.0%	2.958
Regulation and Compliance	0.186	0.156	83.9%	0.030
Regeneration and Housing	2.380	1.381	58.0%	0.999
Adult Social Care	2.378	2.075	87.3%	0.303
Locality Services - Provision	2.540	2.116	85.4%	0.424
Locality Services – Commissioned	8.391	7.170	85.4%	1.221
Corporate Resources	1.034	0.327	31.6%	0.707
Disabled Facilities Grant	2.400	2.312	96.3%	0.088
Total Capital Programme	28.952	20.306	70.1%	8.646

It is considered that in light of the late approval of a number of significant projects and the work required to evaluate the previous year's programme that this level of delivery is positive and will be built upon in future years.

Financing of 2016/17 Capital Expenditure:

5.3 Capital expenditure in 2016/17 was funded as follows:

	Expenditure
	£m
Government Grant	13.384
Borrowing	1.748
Section 106	0.893
Contributions	1.360
Revenue Contribution	0.569
Capital Receipt	2.352
TOTAL	20.306

Key Schemes and Outputs in 2016/17

5.4 As a result of the 2016/17 capital programme the following key schemes and outputs have been delivered:-

Service	Expenditure 2016/17 £m	Key Outputs
Highway Maintenance & Street Lighting	3.123	Micro asphalt surfacing on 22km of carriageway. Surface dressing on 20km of carriageway. Plane and inlay resurfacing on 12km of carriageway. Installed 743 street lighting / slipper columns and upgraded to LED and upgraded an additional 209 columns to LED.
Highways Safety and Accessibility	2.359	Expenditure has been incurred on a wide range of projects to improve safety and accessibility. The larger schemes were A565 Route Management-South Rd Junction, A565 Seaforth Cycle Improvements and A59 Ormskirk Rd Improvements.
Disabled Facilities Grants	2.312	429 disabled facilities in peoples 'homes' were completed and a further 365 approved that are ongoing.
Vehicle Replacement Programme	0.992	11 new vehicles were purchased including 4 refuse vehicles.
Cemeteries and Crematoria	1.022	Thornton Crematorium - replacement of cremators to improve emission levels and accommodate large coffins and general improvement of public areas.
Adult Social Care	1.926	Day Care reorganisation to consolidate service provision at Mornington Road and Dunningsbridge Centre. Each centre will provide 40 full time equivalent day places

Children's Services	3.084	A wide range of schemes at schools were undertaken including the start or completion of a number of large schemes. In year schemes included; a dance studio at Forefield Junior school, a new substation at Meols Cop High, 4 new classrooms and major roof repair / replacement at 3 schools.
Leisure Centres	0.035	The invest to save schemes on fitness facilities(where the main expenditure was incurred in 2015/16 but became operational in 2016/17) showed an increase in fitness suite membership of 2,034, an increase in monthly visits of 47,250 and a 5,035 increase in group exercise attendance.
Parks and Open Spaces	1.578	16 parks have been upgraded, this included the following larger schemes; Kings Garden's Southport, South Park Improvements, Killen Green and King's Garden's Bootle.

Carry Forward of Resources

5.5 With the Councils capital programme, there a number of funding sources. Some of these come with specific conditions and restrict the flexibility for the Council to determine how they are applied however some funding does offer flexibility over use. For schemes funded in this way it is important that any unspent resources are reviewed and members confirm that they wish the scheme to continue. The following schemes have been identified as being required to continue as they reflect current priorities and support key services objectives. Members are therefore asked to approve the following carry forward requests in order that these schemes can continue into 2017/18:

Scheme	Carry Forward to 2017/18 £m	Current Status of Project / Impact of Not Commencing
Corp Maintenance: Various. Fire Door Statutory Compliance 2014/15	0.010	Delayed by training and work identification. This scheme will support Health & Safety compliance
Corp Maintenance - Melrose House Boiler 2015/16	0.045	Not yet committed. This scheme will support Health & Safety compliance
Corp Maintenance - Southport Town Hall Boiler & Controls	0.093	Delay in commencement due to additional works and asbestos.

2015/16		This scheme will support Health & Safety compliance
Corp Maintenance – Talbot Street Family Centre Boilers 2015/16	0.056	Not committed as work phased to fit resources. This scheme will support Health & Safety compliance
Corp Maintenance – West Park DC toilet alterations and refurb 2015/16	0.017	Scheme on hold and dependant on review of Adult Social Care.
Library Review	0.207	Ongoing scheme, deferment in implementation of proposals at Crosby and Bootle. Also boiler and heating requirements.
ASC Day Centre Reorganisation – other costs	0.066	Funding held for wish list items as part of major reorganisation.
Total	0.494	

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 underspend within the revenue budget.
- 6.2 As would be expected, there are a number of areas where demand has exceeded the budget available and these areas of the Councils activity will be monitored in the new financial year (2017/18) and may need to be considered as part of any update to the Council's Medium Term Financial Plan.
- 6.3 With regard to the Capital programme expenditure of £28.952m has been incurred at year end which represents an overall delivery rate of 70%. This is a positive delivery rate and will be built on future years.
- 6.5 The Council's accounts are currently the subject to review by the external auditor, Ernst a& Young, and following final completion of the audit, the Accounts will be presented to the Audit & Governance Committee in September 2017 for consideration, together with the ISA 260 report that will reflect their findings and conclusions.

