Report to:	Cabinet	**Date of Meeting:**	26 July 2018
Subject:	Revenue Budget Outturn 2017/18		
Report of:	Head of Corporate Resources	**Wards Affected:**	(All Wards);
Portfolio:	Cabinet Member - 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 outturn position in relation to the 2017/18 financial year. In doing so the report will outline any key variations and where appropriate any impact on future years' financial performance.

Recommendation(s):

Cabinet is recommended to: -

1. Note the General Fund net surplus of £1.923m for 2017/18 that will be held in order to support any significant budget variations that may arise in the final two years of the Council's current three year budget (up to 2019/20); and,

2. Note the Schools Delegated Budget net surplus of £1.577m for 2017/18.

Reasons for the Recommendation(s):

The production of a revenue 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 financial implications are reflected within the report

(B) Capital Costs

All financial implications are reflected within the report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: None
Equality Implications: None

Contribution to the Council's Core Purpose:
Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Councils Core Purpose.

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

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources is the author of the report (FD5221/18)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report (LD 4445/18).

(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 2017/18 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets. Cabinet have previously received the capital outturn report for 2017/18 and this report should be read in conjunction with that document that was presented in June 2018.

2 General Fund Revenue Outturn 2017/18

2.1 The Council has completed the closure of the Authority's Accounts for 2017/18 and submitted the Statement of Accounts to Ernst & Young for audit. The timeframe for the overall closure of accounts process is as follows:

- Draft Statement of Accounts produced – 31 May 2018
- Audit & Governance Committee receive draft accounts – 27 June 2018
- External Audit Review – Planned completion 13 July 2018
- Audit and Governance Committee receive Final Accounts- 25 July 2018

It should be noted that from 2017/18 it is a requirement that the draft Statement of Accounts must be completed by 31 May (previously 30 June) with the audit completed and final Statement of Accounts published by 31 July (previously 30 September), hence the accelerated timeline for this closure of accounts process, which the Council is on target to deliver.

2.2 The outturn figures for 2017/18 are explained in more detail in section 3 but can be summarised as follows:

	Budget	**Actual**	**Variance**
	£m	**£m**	**£m**
Net Revenue Expenditure			
Services			
Strategic Management	3.110	3.134	0.024
Strategic Support Unit	3.758	3.626	-0.132
Adult Social Care	85.656	85.650	-0.006
Children's Social Care	27.225	28.774	1.549
Communities	10.248	9.872	-0.376
Corporate Resources	5.365	4.932	-0.433
Health and Wellbeing	23.257	22.993	-0.264
Inward Investment and Employment	2.562	2.565	0.003
Locality Services - Commissioned	18.336	18.232	-0.104
Locality Services - Provision	9.640	11.610	1.970
Regeneration and Housing	4.465	4.217	-0.248
Regulation and Compliance	3.655	3.480	-0.175
Schools and Families	25.096	25.487	0.391

Other Services	3.250	3.229	-0.021
Total Service Net Expenditure	**225.623**	**227.801**	**2.178**
Reversal of Capital Charges	-13.376	-13.376	-
Corporate Items	-4.792	-5.306	-0.514
Levies	31.555	31.555	-
Parish Precepts	0.921	0.921	-
Total Net Expenditure	**239.931**	**241.595**	**1.664**
Financed by:			
Council Tax Payers	-120.770	-120.770	-
Business Rates Top-Up	-21.575	-22.504	-0.929
Retained Business Rates	-61.760	-61.760	-
General Government Grants	-34.932	-37.590	-2.658
Total Financing	**-239.037**	**-242.624**	**-3.587**
Amount Funded from General Balances	**0.894**	**-1.029**	**-1.923**

3 General Fund Revenue Outturn 2017/18 – Variation Analysis

3.1 As shown in section 2, the outturn for 2017/18 shows that there was a transfer to General Balances of £1.029m as opposed to the use of General Balances of £0.894m that was budgeted for. This related to the approval at Cabinet in July 2017 for the 2016/17 surplus to be added to the Council's Redundancy Reserve. This reflects service expenditure exceeding the approved budget by £2.178m, however, with a surplus of £4.101m on the Council's corporate budgets and financing an increase in balances has been achieved and an overall surplus 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 £0.132m. This is mainly due to staffing savings achieved by not recruiting to vacant posts and reduced staff hours.

3.2.2 **Adult Social Care** – The outturn position for the Adult Social Care service showed a net surplus of £0.006m. Although the overall position for the service was in line with the budget there were a number of significant variations within the service as outlined below:

- The employee budget was in surplus by £1.167m due to staff turnover and savings due to vacancies being held during the year.

- A surplus of £0.630m was generated on Specialist Transport expenditure due to a combination of new contract prices and the progression of the Day Care modernisation programme.

- Capitalisation of Community Equipment expenditure, totalling £0.306m, freed up revenue resources to assist with service pressures

- The Community Care budget was in a deficit position of £2.238m due to additional demand and cost pressures during the year.

3.2.3 **Children's Social Care** - Children's Social Care overspent in 2017/18 by £1.549m. This level of overspend was forecast consistently through the year. Major variations included overspending of £2.279m on Placements and Packages. This budget is demand led and as such particularly volatile depending on the increasing numbers of children becoming looked after and where they are placed. There were also particular pressures on Residential Agency Placements, with an over spend of +£1.025m. The overspend position on placements and packages was partially offset however, by the general level of vacancies held across the service, which generated an surplus of around -£0.818m. There was a restructure of the service that took place on the 1st October. The effect of this restructure is that a number of vacant posts have now been fully recruited to, and full year savings have been taken for public sector reform schemes and identified specific service savings.

3.2.4 **Communities-** the outturn position for Communities in 2017/18 was a net surplus of -£0.376m. This consisted of a number of key variations:

- Youth Services and Youth Offending Team staff vacancy savings and running expenses -£0.163m;

- Neighbourhoods had a surplus of -£0.153m due to staff vacancies and additional external income;

3.2.5 **Corporate Resources –** The surplus of £0.433m for Corporate Resources primarily relates to savings made against staffing budgets which is due to posts being held vacant in order to contribute to the overall budget pressures faced by the Council; the service was also successful in delivering an overachievement against its income targets.

3.2.6 **Health & Wellbeing –** A net surplus of £0.264m was brought about primarily due to a Public Health surplus of £0.318m was achieved as a result of the Substance Misuse contract being recommissioned and a surplus on residential rehabilitation service being made which is a demand led service.

3.2.7 **Locality Services - Commissioned** – There was an overall surplus of £0.104m on this service. The final outturn position was aided by surpluses on Landscape Services (£0.053m) and Coastal Services (£0.069m). Due to adverse weather conditions the Winter Maintenance service overspent by £0.308m. However, this was offset by increased Network Management income.

3.2.8 **Locality Services - Provision** – The service ended the year a deficit of £1.970m. Although Catering Services was in surplus by £0.105m (largely as a result of a successful trading year with schools), there were also a number of reported deficits including Cleansing (£0.807m) Security Services (£0.609m), Burials (£0.232m) and Building Cleaning (£0.183m). The issues affecting these services were as follows:

- The Cleansing service deficit is partially due to reduced income due to adverse weather conditions (e.g. for green waste) and the undertaking of additional works across the Borough.

- 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. A restructuring of the service to address the issue has been delayed leading to additional staff costs above that expected.

- 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 private cremation facility in Burscough and partly due to a reduced capacity at Thornton Garden of Rest whilst works were being undertaken to replace cremators and improve facilities. Whilst the facility at Burscough will continue to provide some competition this pressure should be lessened in future years with the council's facility being fully operational.

- The Building Cleaning overspend of £0.183m was mainly as a result of delays to the restructure of the service to achieve a PSR saving of £0.250m.

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 residual budget pressure of at least £0.5m remains in 2018/19. This area of the Council's 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

3.2.9 **Regeneration & Housing -** A net surplus of £0.248m was generated as a result of:

- A reduction in staffing expenditure £0.070m due to vacancies and receipt of funding for employees services.

- Improved income and funding £0.176m, received for planning and building control activities.

3.2.10 **Regulation & Compliance -** A net surplus of £0.175m was generated due to:

- Increase in cost of governance due to LCR allowances now being funded by Sefton (£0.033m).

- Improved income of £0.283m in relation to car parks.

- Additional staffing costs on Corporate Legal Services.

3.2.11 **Schools & Families -** Schools and Families overspent in 2017/18 by £0.391m. This consisted of a number of key variations:

- Specialist Transport over spent by £1.024m. This was offset by a surplus on the School Readiness Commissioned services and staff vacancy savings -£0.192m;

- A surplus on School Improvement through additional traded income and vacancy savings of -£0.164m;

- SEN Inclusion and Psychology service staff vacancy savings -£0.064m;

3.2.12 **Corporate Items:** A net surplus of £4.101m was brought through the following:

- Debt Repayment / Net Investment – Members will recall that Cabinet / Council previously approved an amendment to the Treasury Management Strategy with regard to Minimum Revenue Provision for debt repayment. The impact of this in 2017/18 was an additional reduction in cost of £0.663m.

- As part of the Sefton's participation in the Liverpool City Region 100% Business Rates Pilot some of the S31 grants / top-up grant potentially available to the Council were uncertain or unknown at the time the budget was set. Therefore the Council took a prudent approach to the level of grant it might receive. The additional grants actually received totalled £3.571m.

As a result of the variations detailed within this report the overall Council-wide surplus generated in year of £1.923m represents the outcome of stringent financial management through the year as the Council continues to meet the extreme challenges of national government policy.

As was detailed within the Budget report presented to Council in March 2018, in addition to the need to respond to the decade long austerity programme, which will see the organisation having to deliver a further £20m of savings over the next two years, the Council continues to face unprecedented financial pressure particularly within Adults and Children's Social Care. This position is not unique to Sefton; however the challenge is significant and will require very careful financial management throughout the remainder of the current MTFP period. The Council acknowledged these risks in its budget report and endorsed the completion of a comprehensive Mid-Year Review exercise in order to gain full visibility on all financial issues and ensure steps are taken to mitigate financial risk and ensure that the Council's target of remaining financially sustainable is delivered. This process will take place over the summer and will be reported to Cabinet in September 2018.

4 **<u>Schools' Delegated Budgets Outturn 2017/18</u>**

4.1 The level of schools' balances as at the end of 2017/18 is £15.411m (£13.834m 2016/17). This overall sum consists of direct school balances of £15.001m (£13.467m 2016/17); Schools Supply Funding Pool £0.066m (£0.013m 2016/17) and the Schools Rates Pooled Account £0.344m (£0.354m 2016/17). The total balances represent 10.15% of schools' 2017/18 delegated budgets. Overall, schools' direct balances increased by £1.534m; similarly, the Schools Supply Pool balances increased by £0.053m; whilst the Rates Pool Account decreased by £0.010m.

4.2 The net increase in primary schools balances is largely attributed to the uncertainty of the proposed introduction, by the Government, to fund all schools through a new National Formula. The initial proposals indicated that Sefton Schools would lose in excess of £3m when the new National Formula was fully introduced. The Government has provided some additional funding to schools over the transition period 2018/19 – 2019/20 to ensure that all schools can at least be protected at the 2017/18 per pupil baseline funding but there is no guarantee what protection will be available from 1 April 2020 when the new "hard" National Formula is fully introduced. This has resulted in the net balances held by these schools increasing (note that 55 primary schools increased their balances with 20 seeing a reduction).

4.3 The level of balances across the maintained Secondary schools has reduced significantly by £0.856m. This is due to the transfer of a further secondary school to the academy sector and also the use of 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. Many of the remaining secondary schools are also experiencing financial difficulties and there are a number that have requested licensed deficit agreements from the Local Authority in 2018/19.

4.4 There is a slight increase in the level of special schools balances. The Local Authority is currently consulting all stakeholders within the High Needs / SEN sector over the significant overspend against the High Needs Block within the DSG. As a result headteachers and governing bodies within special schools are holding back on all but essential spending in case there are proposed changes to special schools funding to help mitigate the current overspend on the High Needs Block.

4.5 Nursery schools net balances also went up slightly (three increased with one decrease) but all nursery schools are potentially going to lose up to 50% of their current funding allocations from 1 April 2020 when the transitional protection in the Early Years Formula is reduced by the Government.

4.6 A sub-group of the Schools Forum will be examining the levels of all balances held, in October 2018, and where appropriate, schools were asked to demonstrate robust plans for the committed use of any surplus balances within the current challenging environment.

5 Council Balances

5.1 The change in the level of Council and School Balances as at 31 March 2018 are set out as follows:

Revenue Account 2017/18	**Schools £m**	**Non-Schools Services £m**
Actual Balances at 31 March 2017	**13.834**	**8.103**
Plus: Schools' Delegated Budget Net Change 2017/2018	1.577	-
Increase in Balances in 2017/18	-	1.029
Provisional Unallocated Balances at 31 March 2018	**15.411**	**9.132**

6 Conclusion

6.1 In March 2017, the Council set a three year budget that would through its Framework for Change programme would meet the overall £64m shortfall estimated for the period. 2017/18 represented the first year of that budget and from the financial results reported in this paper it can be seen that this three year budget remains on target.

6.2 Whilst the position reported is favourable, in addition to meeting the funding shortfall that has arisen primarily due to central Government's austerity programme, the Council is also facing significant financial pressure from its main demand led budget, Adults and Children's Social Care. The experience in Sefton is currently similar to most local authorities across the country and as a result will require careful financial management in the forthcoming year in order that these pressures are aligned with the delivery of the overall savings target that the Council has to meet. This approach and pressure was identified within the Budget report of March 2018 and will be reflected in a comprehensive Mid-Year Review exercise being completed in addition to an update to the Medium Term Financial Plan.

6.3 The Council's accounts are currently the subject to review by the external auditor, Ernst & Young, and following final completion of the audit, the Accounts will be presented to the Audit & Governance Committee in July 2018 for consideration, together with the ISA 260 report that will reflect their findings and conclusions.