

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	25 July 2019
<b>Subject:</b>	Revenue and Capital Budget Update - Revenue Budget Outturn 2018/19		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

To inform Cabinet of the revenue outturn position in relation to the 2018/2019 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 £0.330m for 2018/19 that will be added to the Council's General Balances;
2. Note the reduction in Schools' balances of £1.808m for 2018/19 and the net reduction of non-schools centrally retained DSG balances of £0.745m; and,
3. Note the approved increases to Earmarked Reserves in 2018/19, the release of reserves no longer required in order to contribute to the remedial plan to mitigate against the budget pressures being experienced in 2018/19, and the final position at the end of the year.

### 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:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> None
<b>Legal Implications:</b> None
<b>Equality Implications:</b>  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: 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 5711/19)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report (LD 4835/19).

**(B) External Consultations**

N/A

**Implementation Date for the Decision**

Following the expiry of the “call-in” period for 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 2018/19 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets. The Capital Outturn report for 2018/19 is presented separately on today's agenda and this report should be read in conjunction with that document.

## 2 General Fund Revenue Outturn 2018/2019

- 2.1 The Council has completed the closure of the Authority's Accounts for 2018/19 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 issued – 30 May 2019
- Audit & Governance Committee receive draft accounts – 19 June 2019
- External Audit Review – Planned completion 12 July 2019
- Audit and Governance Committee receive Final Accounts- 24 July 2019

- 2.2 The outturn figures for 2018/19 are explained in more detail in section 3 but can be summarised as follows (note that the figures are presented in a format based on the Council's management structure at the start of the financial year. This is in line with the budget monitoring reports presented to Cabinet during 2018/19 and the Statement of Accounts):

<b><u>Net Revenue Expenditure</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>£m</u></b>	<b><u>£m</u></b>	<b><u>£m</u></b>
<b><u>Services</u></b>			
Strategic Management	3.049	3.049	0.000
Strategic Support Unit	3.026	3.013	-0.013
Adult Social Care	95.397	95.910	0.513
Children's Social Care	28.137	33.443	5.306
Communities	8.055	7.737	-0.318
Corporate Resources	5.634	5.037	-0.597
Health and Wellbeing	22.509	21.795	-0.714
Inward Investment and Employment	2.447	3.000	0.553
Locality Services - Commissioned	20.044	20.217	0.173
Locality Services - Provision	10.533	11.245	0.712
Regeneration and Housing	4.666	4.026	-0.640
Regulation and Compliance	3.779	3.888	0.109
Schools and Families	22.760	24.170	1.410
Other Services	3.189	3.171	-0.018
<b><u>Total Service Net Expenditure</u></b>	<b>233.225</b>	<b>239.701</b>	<b>6.476</b>

Reversal of Capital Charges	-13.353	-13.353	-
Corporate Items	3.354	0.347	-3.007
Levies	33.255	33.255	-
Parish Precepts	1.026	1.026	-
<b>Total Net Expenditure</b>	<b>257.507</b>	<b>260.976</b>	<b>3.469</b>
<b>Financed by:</b>			
Council Tax Payers	-128.232	-128.232	-
Business Rates Top-Up	-24.653	-24.653	-
Retained Business Rates	-70.420	-70.420	-
General Government Grants	-34.202	-36.078	-1.876
<b>Total Financing</b>	<b>-257.507</b>	<b>-259.383</b>	<b>-1.876</b>
<b>Amount Funded from General Balances</b>	<b>0.000</b>	<b>1.593</b>	<b>1.593</b>

### 3 **General Fund Revenue Outturn 2018/2019 – Variation Analysis**

3.1 As shown in section 2, the outturn for 2018/2019 shows that there was a transfer from General Balances of £1.593m as opposed to the use of General Balances of £1.923m that was budgeted for (this represents an underspend of £0.330m). This related to the approval at Cabinet in July 2018 for the 2017/18 revenue outturn surplus to be utilised to support the 2018/19 budget.

3.2 This reflects service expenditure exceeding the approved budget by £6.476m, however, with a surplus of £4.883m on the Council's corporate budgets a lower level of General Balances were required to support the budget. Therefore, a surplus was delivered and an increase in balances has been achieved compared to what had been assumed.

3.3 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: -

3.3.1 **Adult Social Care** – The outturn position for the Adult Social Care service showed a net deficit of £0.513m. There were a number of significant variations within the service as outlined below:

- The employee budget was in surplus by £0.574m due to natural staff turnover resulting in vacancy savings during the year.
- A surplus of £0.619m was generated on the Specialist Transport budget reflecting the continued reduction in transport requirements following the Day Care modernisation programme.
- Capitalisation of Community Equipment expenditure, totalling £0.248m, released revenue resources to assist with service pressures

- The Community Care budget was in a deficit position of £1.976m due to continued demand and cost pressures during the year.

**3.3.2 Children's Social Care** - Children's Social Care overspent in 2018/19 by £5.306m. This level of overspend was forecast consistently through the year. Major variations included overspending of £5.612m on Placements and Packages. This budget is demand led, and as such, is particularly volatile, depending on the increasing numbers of children becoming looked after and where they are placed (the number of looked after children increased from 480 at the start of the year to 525 by the end of the year). There were particular pressures on Residential Agency Placements, with an overspend of £3.603m. Legal costs were also overspent by £0.345m. The overspend position on placements and packages was partially offset however, by the general level of vacancies generated across the service through staff turnover, which generated an underspending of around £0.460m. Other mitigating income included grant income above budget and other small variations of -£0.191m.

**3.3.3 Communities** - the outturn position for Communities in 2018/19 was a net surplus of £0.318m, mainly due to vacant posts across The Atkinson and Libraries and underspending on running expenses and income from events.

**3.3.4 Corporate Resources** – The surplus of £0.597m 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.

**3.3.5 Health & Wellbeing** – A net surplus of £0.714m was brought about primarily due to a surplus of £0.204m being achieved as a result of the Substance Misuse contract being recommissioned, vacancy savings within Public Health of £0.150m and Business Rates reductions at sports centres, including refunds, of £0.246m.

**3.3.6 Inward Investment and Employment** – A net deficit of £0.533m occurred within the service. This was primarily due to a deficit on Southport Market due to reduced occupancy rates and an overspend on Southport Theatre and Conference Centre of £0.263m due to the costs associated with a change in operator.

**3.3.7 Locality Services - Commissioned** – There was an overall deficit of £0.173m on this service, mainly relating to additional unanticipated highways maintenance expenditure at the end of the year.

**3.3.8 Locality Services - Provision** – The service ended the year a deficit of £0.712m. Although Catering Services was in surplus by £0.209m (largely as a result of a price increase and a successful trading year with schools), there were also a number of reported deficits including Cleansing (£0.166m), Security Services (£0.486m) and Burials and Cremations (£0.327m). The issues affecting these services were as follows:

- The Cleansing service deficit is partially due to increased costs of bin provision for new properties and the undertaking of additional works across the Borough.

- The deficit within the Security Service was a reflection of an under recovery of income to support the cost base. This aspect will be addressed in 2019/20.
- The financial performance of the Burials service has been compromised by a reduction in the number of cremations. This is primarily due to the completion of a private cremation facility in Burscough.

Due to the size and diverse nature of this overspend a full base budget review has been undertaken to reduce the inherent budget issue. This has significantly reduced the overspend from £1.970m in 2017/18. This area of the Council's budget will continue to 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.

**3.3.9 Regeneration & Housing** - A net surplus of £0.640m was generated as a result of:

- A reduction in staffing expenditure of £0.115m due to vacancies and receipt of funding for employees' services.
- Improved income and funding of £0.526m, received for planning and building control activities.

**3.3.10 Regulation & Compliance** - A net deficit of £0.109m occurred due to:

- Increase in the cost of electoral services following the fall out of a national grant (£0.294m).
- Improved income of £0.134m in relation to licensing.

**3.3.11 Schools & Families** - Schools and Families overspent in 2018/19 by £1.410m. This deficit position was primarily due to the Home to School specialist transport budget being overspent by £1.817m. This was partially offset by a surplus across Family Support services of £0.197m relating to planned savings contributing towards PSR2 and the use of £0.145m of one-off balances identified during the year to help mitigate the Council's overall financial position.

**3.3.12 Corporate Items / Other Government Grants:** Budget Monitoring reports presented to Cabinet during the year highlighted various items that were being used to support the budget pressures that were being experienced. A net surplus of £4.883m has mainly been achieved from the following:

- Additional Adult Social Care Support Grant allocation announced by the Government late in the budget process - £0.953m;
- The impact of the change in VAT liability of certain leisure fees and charges being introduced earlier than previously anticipated - £0.700m;
- Additional ASC Grant in 2018/19 utilised to offset forecast demand pressures - £1.110m;

- Additional Business Rates s31 Grants - £0.750m;
- Business Rates refunds on Council establishments - £0.350m;
- Review of Reserves and Balances - £0.680m.

- 3.4 As a result of the variations detailed within this report the overall Council-wide surplus generated in year of £0.330m represents the outcome of stringent financial management through the year as the Council continues to meet the extreme challenges of national government policy.
- 3.5 As was detailed within the Budget report presented to Council in February 2019, in addition to the need to respond to the decade long austerity programme, which will see the organisation having to deliver further significant savings in 2019/20, 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 2019/20 and beyond.
- 3.6 The Council acknowledged these risks in its budget report and additional resources were built into 2019/20 budget in recognition of these additional demands. The first budget monitoring report of 2019/20, relating to the first quarter of the year, is presented separately on today's agenda and provides an initial assessment of the Council's financial position as it enters the final year of the current three-year budget package.
- 3.7 In addition to the financial pressures being experienced by the Council, there is considerable uncertainty around the future funding of local government and the impact this will have on Sefton. As detailed in the budget report, the Government has committed to the biggest review of local government finance in a generation with a Fair Funding Review, Adult Social Care Green Paper on future funding and the reform and full roll out of the business rates retention scheme. The Council continues to contribute to consultations and lobby on each of these areas, to help develop what is hoped will be a genuine long-term plan to deliver financial sustainability to local government in general, and Sefton in particular. However, due to the delay in the Brexit process, the implementation of any changes may be delayed beyond 2020/21 bringing more uncertainty in the Council's funding position.

#### **4 Schools' Delegated Budgets Outturn 2018/2019**

- 4.1 The level of schools' balances as at the end of 2018/19 is £13.596m (£15.404m 2017/18). This overall sum consists of direct school balances of £12.867m (£14.994m 2017/18); Schools Supply Funding Pool £0.020m (£0.066m 2017/18) and the Schools Rates Pooled Account £0.709m (£0.344m 2017/18). The total balances represent 12.99% of schools' 2018/19 delegated budgets. Overall, schools' direct balances reduced by £2.127m; Similarly, the Schools Supply Pool balances reduced by £0.046m; whilst the Rates Pool Account increased by £0.365m.
- 4.2 Analysis of the Schools Balances, shows that 37 schools saw an increase in their balances totalling £1.243m; whilst 55 schools experienced a fall in balances of £3.370m giving a net reduction in the year of £2.127m. Of the 55 schools with



falling balances, there were 38 Primary schools and all 6 Local Authority Maintained Secondary schools with a fall in balances of £1.511m and £0.999m respectively.

- 4.3 There were 2 Maintained Secondary Schools and 1 Maintained Nursery school being in a significant deficit balance situation by year-end (£1.116m and £0.270m respectively). These 3 schools were all operating under a licensed deficit in 2018/19, and the Maintained Nursery school is scheduled to close in July of this year.
- 4.4 The level of schools' balances also fell by £0.569m, following the conversion of 6 Primary schools to Academies during the year, where any residual balances have to be paid over by the Local Authority to the new Academy Trusts.
- 4.5 There is growing concern over future funding of schools, and despite Government agreeing to fund the Teachers Pay award at September 2018, and employers pensions increase costs, similar support is not expected for the 2019 teachers pay settlement, leaving schools to pick up the increases in cost. This factor, coupled with falling rolls in some areas, may see an increasing number of schools moving towards, if not into a deficit position by 2020/21. This situation is being carefully monitored and managed on a regular basis. In 2019/20, there are already 3 additional schools requesting to operate a licenced deficit and with a recovery plan, including 2 Secondary and 1 Primary school. Challenge meetings have been arranged with these schools to review their plans to reduce the deficits and get the school back into balance within a three-year period whilst maintaining standards. Officers will be discussing this with the Regional Schools Commissioner and the Archdiocese to agree the role they need to play in supporting the Council and the schools to meet this challenge.
- 4.6 In respect of Maintained Special Schools (including the Pupil Referral Units); 4 schools saw an increase in their balances (£0.294m), whilst 3 saw a fall in balances (£0.135m). Funding for these schools is very much dependent on High Needs DSG spending, and there are growing pressures across High Needs to reduce costs.
- 4.7 High Needs budgets were overspent by £2.3m in 2018/19, and efforts are underway in 2019/20, following a formal consultation on High Needs earlier in the year, to reduce costs or avoid expensive out of Borough day placements going forward. 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. With continued uncertainty over future funding for High Needs, and the need to reduce spending, many 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. In order to support high needs, funding has been moved from the School's Block to the High Needs Block, however, demand for supporting pupils with SEND is significantly more than the available budget. This reflects the national picture with around 40% of local authorities spending more on high needs than is allocated by the Government. The DfE are currently calling for evidence on this issue and Sefton schools have been encouraged to respond. Whilst every effort will be made to make efficiencies, the trend is for numbers to continue growing and the local authority has a legal duty to meet need

in a system where parental preference often takes precedence. A detailed action plan is being developed that will determine the financial sustainability of the service and the implications for the Council.

- 4.8 Maintained Nursery schools' net balances also went up slightly (two increased with two decreasing), but all nursery schools could potentially lose up to 50% of their current funding allocations from August 2020, when the transitional protection in the Early Years Formula, worth £0.587m to Sefton's 4 Maintained Nursery Schools, could cease. However, 1 Maintained Nursery school is set to close in August 2019 (Sand Dunes) due to falling numbers and unsustainable funding levels.
- 4.9 A sub-group of the Schools Forum will be examining the levels of all balances held, in September / October 2018, and where appropriate, schools will be asked to demonstrate robust plans for the committed use of any surplus balances within the current challenging environment.
- 4.10 The Council also holds some Centrally Retained DSG reserves, separate to its Maintained Schools' balances. These are in respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2018, was a surplus of £0.515m, however during 2018/19, there were some significant under and overspending areas, which have resulted in a net overspending of £0.745m. This has therefore taken the level of these reserves into a deficit position of £0.230m at 31 March 2019 for the first time.

<b>Centrally Retained DSG Balances</b>	<b>1 April 2018</b>	<b>Movement 2018/2019</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Block	-0.224	-0.151	-0.375
Early Years Block	-1.656	-1.382	-3.038
High Needs Block	1.365	2.278	3.643
	-0.515	0.745	0.230

- 4.11 Under recent DfE regulations, operating from 2018/19, Local Authorities may now only carry forward up to 1% of their total DSG funding (including Academy schools) as a deficit balance. Once this threshold is exceeded however, in any one year, the Local Authority are obliged to provide the DfE, and Schools Forum, with a detailed plan of action, to bring the level of deficit under control and below the threshold towards a break-even position, as soon as possible. This plan may be agreed over a three-year period, or may be extended, by agreement with the DfE, and will be periodically reviewed. The DfE have vowed to support Local Authorities to better understand the reasons for overspending, and to help them move towards a balanced position.
- 4.12 In 2018/19, the Council has not reached the 1% threshold level (£2.027m), and so will not need to provide a report. However, with High Needs overspending in excess of £2m anticipated in 2019/20, this threshold may well be reached by the end of the year, and plans will need to be made to reduce spending in this area during 2019/20, if this requirement is to be avoided

## 5 Council Balances

5.1 The change in the level of Council and School Balances as at 31 March 2019 are set out in the tables below:

	£m	£m
<b><u>Non-School General Fund Balances</u></b>		
Actual Non-School General Fund Balances at 31 March 2018		-9.132
Less underspend in comparison to the 2018/2019 Base Estimate:		
- Assumed Use of Balances 2018/2019	1.923	
- Underspend in 2018/2019	-0.330	
Actual Reduction in Balances in 2018/2019		1.593
Actual Non-School General Fund Balances at 31 March 2019		<b>-7.539</b>

<b><u>Schools' Balances</u></b>	£m
Schools' balances as at 1 April 2018	-15.404
Overspend on Schools' Delegated Budgets	1.808
Schools' balances at 31 March 2019	-13.596

## 6 Earmarked Reserves

6.1 Unlike General Fund balances, Earmarked Reserves are held for a specific purpose. These purposes may be determined by the Council to coincide with its policy objectives, dictated by statute (e.g. Schools Earmarked Reserves) or relate to revenue grants and contributions that haven't been fully applied by the end of the financial year.

6.2 Those Earmarked Reserves determined by the Council to coincide with its policy objectives are created, and occasionally increased, in accordance the Council's Financial Procedure Rules. Approval limits are as follows:

Amount	Approval
Up to and including £250,000	Section 151 Officer
In excess of £250,000 up to and including £500,000	Section 151 Officer in consultation with the Chief Executive
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from Cabinet

6.3 Once approved, expenditure incurred in accordance with the reserve's purpose is funded by applying the reserve, without any need for further approval. If the reserve is no longer required for the originally intended purpose it is released back into the General Fund.

6.4 An analysis of the Council's Earmarked Reserves, and the movement during 2018/19 is shown in the table below:

	<b>Movements in 2018/2019</b>	<u>1 April</u> <u>2018</u> £m	<u>Transfers</u> <u>in</u> £m	<u>Transfers</u> <u>Out</u> £m	<u>31 March</u> <u>2019</u> £m
(a)	Environmental Warranty	-11.000	0.000	0.000	-11.000
(b)	Insurance Fund	-0.089	0.000	0.089	0.000
(c)	Transforming Sefton	-7.110	-2.586	1.093	-8.603
(d)	Redundancy Reserve	-4.675	0.000	2.513	-2.162
(e)	Capital Priorities Fund	-0.076	0.000	0.000	-0.076
(f)	Community Transition Fund	-0.672	-0.500	0.283	-0.889
(g)	Contamination Clearance	-1.500	0.000	0.000	-1.500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-2.254	0.000	0.000	-2.254
(i)	Recycling and Waste Development Fund	-0.409	0.000	0.409	0.000
(j)	MRP Adjustment Reserve	-3.179	0.000	2.780	-0.399
(k)	Regeneration Schemes Reserve	-1.000	-0.163	0.500	-0.663
(l)	Revenue Grants and Contributions Unapplied	-6.581	-2.678	2.582	-6.677
(m)	Schools' Earmarked Reserves	-0.916	-1.632	2.778	0.230
(n)	Other Earmarked Reserves	-6.534	-1,468	2.250	-5.752
	<b>Total</b>	<b>-45,995</b>	<b>-9.027</b>	<b>15.277</b>	<b>-39.745</b>
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	20.308	-10.154	0.000	10.154
		<b>-25.687</b>	<b>-19.181</b>	<b>15.277</b>	<b>-29.591</b>

6.5 The main increases in Earmarked Reserves are as follows:

- a) **Transforming Sefton** – Increased by £2.409m in line with the Council's approved budget for 2018/19. In addition, the reserve has been increased by a further £0.177m as external funding has been received for expenditure previously funded from the reserve.
- b) **Community Transition Fund** – Cabinet on 6 December 2018 approved an increase in the reserve of £0.500m through the transfer of various uncommitted Earmarked Reserves.
- c) **PSR9 Phasing Reserve** (included in Other) – An amount of £0.460m has been reserved from the early achievement of savings on PSR9 in 2018/19, as well as underspends on Corporate Resources. This will be utilised in 2019/20 to offset the implications of phasing with elements of the PSR9 saving target. The full saving will be achieved in 2020/21.
- d) **Investment Strategy** (included in Other) – Due to the phasing of projects funded from the Investment Strategy budget, an underspend has occurred (£0.269m). This has been reserved to ensure the projects can still be funded in 2019/20 without being a call on this year's budget allocation.

- e) **HMO Licences** (included in Other) – The Council has implemented a HMO Licensing Scheme which will be self-funding across a five-year period. It has been agreed to reserve any surpluses arising in the initial years to ensure this takes place. Accordingly, £0.170m has been reserved in 2018/19.
- f) **Crematoria Gas Flue System Replacement** (included in Other) – Council has previously agreed that an element of the fees charged for cremations would be reserved to fund future replacements. In 2018/19 £0.111m has been added to the reserve.
- g) **Formby Pool Sinking Fund** (included in Other) – The Council is obliged to set aside resources to contribute towards future maintenance at the Pool. In 2018/19 £0.106m has been added to the reserve in accordance with the agreement.

6.6 In addition, there has been an increase of £10.154m to “repay” the temporary use of Earmarked Reserves to fund the upfront payment of the Pension Deficit in April 2017. This is a cash-flow adjustment to enable the Council to make a significant saving across the period of the three-year budget plan.

6.7 As mentioned in paragraph 6.3, Earmarked Reserves that are no longer required for their original purpose can be released back to the General Fund. As part of the mid-year review during 2018/19, reserves totalling £1.180m were identified as no longer being required. Of this, £0.680m was released as part of the remedial plan to mitigate against the budget pressures being experienced in 2018/19 with £0.500m being transferred to the Community Transition Fund as approved by Cabinet on 6 December 2018.

## **7 Conclusion**

7.1 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. 2018/19 represented the second 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.

7.2 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 budgets, 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 2019 and significant additional resources were included in the budget for 2019/20.

7.3 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 2019 for consideration, together with the ISA 260 report that will reflect their findings and conclusions.